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SHIPPING BOARD OPERATIONS

HEARINGS

U. S. Congress, House,

BEFORE

SELECT COMMITTEE ON U. S. SHIPPING BOARD OPERATIONS

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS

THIRD SESSION

TESTIMONY OF
MR. WILLIAM DENMAN

PART 8



WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

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SELECT COMMITTEE ON UNITED STATES SHIPPING BOARD
OPERATIONS.

HOUSE OF REPRESENTATIVES.

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PATRICK H. KELLEY, Michigan.

HENRY J. STEELE, Pennsylvania.

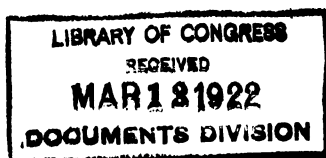
LINDLEY H. HADLEY, Washington.

TOM CONNALLY, Texas.

ISRAEL M. FOSTER, Ohio.

GEORGE H. NORTON, *Clerk*.

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III

SHIPPING BOARD OPERATIONS.

SELECT COMMITTEE ON UNITED STATES
SHIPPING BOARD OPERATIONS,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Monday, December 13, 1920.

The committee met in the caucus room, House Office Building, at 10 o'clock a. m., on call of the chairman, Hon. Joseph Walsh, (Chairman) presiding.

Also present: Representatives Kelley, Hadley, Foster, and Connally.

TESTIMONY OF MR. WILLIAM DENMAN, FORMER CHAIRMAN UNITED STATES SHIPPING BOARD AND PRESIDENT OF THE EMERGENCY FLEET CORPORATION; RESIDENCE, SAN FRANCISCO, CALIF.—Resumed.

The CHAIRMAN. Mr. Denman, when were you appointed to the Shipping Board?

Mr. DENMAN. My appointment was made in the month of November, 1916. It was confirmed in January, 1917, and the board was organized on the 30th day of January, 1917. I had previously been one of the active participants in the framing of the legislation, beginning back in the latter portion of 1915.

The CHAIRMAN. When was the Emergency Fleet Corporation organized first, if you remember?

Mr. DENMAN. The resolution of the board authorizing the organization under the act was passed on the 14th of April, 1917; and the corporation was organized between then and the 18th of April.

The CHAIRMAN. And were you the first chairman of the Emergency Fleet Corporation?

Mr. DENMAN. I was the first chairman of the Shipping Board. About that I would like to make a statement: In the original group of appointees was Mr. Bernard N. Baker, an able and experienced shipping man, who had sought to organize such a board in the original bill as a mere adjunct to two members of the Cabinet. I was one of a group that wanted to make it a pure commission, or a purely Cabinet administration. We disagreed in the course of the preliminary discussions, and Mr. Baker resigned. I was requested by the President, or rather the board was requested by the President, to make me chairman. I was tendered the election on the 30th of January but declined to accept the chairmanship, hoping that the vacancy would be filled by some shipping man on the Atlantic coast who knew the personnel and conditions prevailing in Atlantic carriage.

The CHAIRMAN. Will you just give us the personnel of the board on the 30th of January, 1917.

Mr. DENMAN. Mr. Theodore Brent, Mr. J. B. White, Mr. Donald, and myself; Mr. Baker having previously resigned. I did not accept the chairmanship of the board until nearly seven weeks later, after the appointment of Mr. Stevens, who had had no shipping experience, and who came to the board from New Hampshire, I believe, and did not look to taking a prominent part in shipping activities. From March 20 until July 24 I was chairman of the Shipping Board. Sometime around the 17th or 18th of April I was elected president of the Emergency Fleet Corporation, and held that position until the 24th of July.

The CHAIRMAN. Now, did you have the appointment of the various officials of the board?

Mr. DENMAN. No; I had no powers as president of the corporation of appointment. I am speaking now of the Emergency Fleet Corporation. By a provision of the by-laws that was entirely in the hands of the general manager, Gen. Goethals.

The CHAIRMAN. When was he appointed?

Mr. DENMAN. He was appointed at the time of the organization of the corporation or just before.

The CHAIRMAN. Was that prior to your being made president of it?

Mr. DENMAN. At the same time.

The CHAIRMAN. Who appointed the officials of the Shipping Board, such as the treasurer and secretary and auditor and comptroller?

Mr. DENMAN. That was done by the board as a body.

The CHAIRMAN. And how were those men selected; how did their names come before the board?

Mr. DENMAN. They were suggested by various members of the board, and quite a number of them very largely through Mr. Stevens. Mr. Stevens was our political member, and a very large portion of the patronage was suggested by him.

The CHAIRMAN. What do you mean by the statement that Mr. Stevens was the "political member" of the board?

Mr. DENMAN. Well, I think there was the feeling that the chairman was markedly lacking in political instinct, and Mr. Stevens, who was a charming and very able man, was hoped to supply the deficiency of the chairman.

The CHAIRMAN. Well, was that by general consent of the board?

Mr. DENMAN. I think it was the hope, both inside and outside of the board.

The CHAIRMAN. Do you know who appointed the treasurer of the board at that time?

Mr. DENMAN. Oh, it was by board action, Mr. Chairman.

The CHAIRMAN. Were minutes made of those various appointments?

The CHAIRMAN. So the board records would show that?

Mr. DENMAN. I think the board records would show. I have not in mind the appointment of the treasurer. There was an auditor of the Shipping Board and the treasurer of the Emergency Fleet Corporation. The secretary of the board was not a permanent secretary, was not elected until very shortly before I resigned. We had had a series of temporary secretaries, and I was hoping to get a driving business executive secretary, and would have succeeded in placing one there had it not been for the atmosphere of controversy with which the journalists surrounded us, in the press, which made

men hesitate to come. But I hoped I had cleared the atmosphere, and was going to bring in a sizeable man to take that position.

The CHAIRMAN. Did you suggest Mr. Lester Sisler for secretary of the board?

Mr. DENMAN. No, sir; I did not. I did not know Mr. Sisler, and it was moved that he be elected permanent secretary when he first came, but this was not done. He was appointed temporary secretary, to try him out.

The CHAIRMAN. Do you recall meeting him in the corridor of some government building and offering him the position of secretary of the board?

Mr. DENMAN. I do not.

The CHAIRMAN. Had you made any inquiry of the Interstate Commerce Commission as to his capability?

Mr. DENMAN. No.

The CHAIRMAN. And you had not known him?

Mr. DENMAN. I had not known him.

The CHAIRMAN. And you did not suggest him either for temporary or permanent secretary of the board.

Mr. DENMAN. I think when he was mentioned for permanent secretary I proposed him for temporary secretary.

The CHAIRMAN. Do you recall having acted upon the application, or of taking action upon the suggestion of the name of Mr. R. Wilmer Bolling for any position in the board or in the Fleet Corporation while you were there?

Mr. DENMAN. There is a minute of the suggestion made to create a place for Mr. Bolling, on the 7th of June.

The CHAIRMAN. 1917?

Mr. DENMAN. 1917; yes, sir. Mr. Stevens proposed Mr. Bolling's name for some position, as I recall it, unnamed, and the minutes said "discussion was had, but no action taken."

The CHAIRMAN. You do not know whether that suggestion was made by Mr. Stevens as the result of an application having been received or whether it was initiated by Mr. Stevens's suggestion?

Mr. DENMAN. I do not recall whether there was a formal application. I remember the discussion which took place, not only at the meeting of the board but in the rooms of the board—that is, in the chambers of the commission. I was very much opposed to employing Mr. Bolling, not that I had anything against him; I suppose it was nonpolitical on my part, but I felt there would be grave danger to the President to have a man in our employ who was connected with the President's family, as he would be the object of enticements of designing persons who might want to get him in an embarrassing position and which might bring discomfort on all of us.

The CHAIRMAN. Did it occur to you that he might be made the subject of a trap or tricks?

Mr. DENMAN. Yes. I had no specific thing in mind in the way of a particular trap, but I simply feared that having a member of the family of the President on the board might bring us embarrassment. The conversation or conversations covered quite a period of time then.

The CHAIRMAN. Mr. Denman, did your board take action with reference to requisitioning commandeered vessels?

Mr. DENMAN. That was under discussion at the time we resigned. In order to get a clear picture of that, you must remember that while your legislation giving the power to commandeer was passed June 15, 1917, the President, to whom the power was delegated by the Congress, did not allocate the powers of the congressional act to us until the 10th or 11th of July. So that my administration, so far as war-created powers were concerned, had but 13 days of activity. Now, of course, we had been planning and expecting to get the powers, and the method of commandeering was under discussion and the last week's minutes, particularly the minutes of special sessions that we held, which were taken down in full and typewritten, show the pendency of discussion as to the methods of commandeering.

Gen. Goethals had been so completely engaged in letting contracts for ships, and a very large fleet was contracted for by Gen. Goethals in that time; I say, he had been so completely occupied in that that he had not procured the preexisting contracts for ships that were under construction on our stocks when we got the commandeering power. We requested those and they were being gotten together for us so that we could formulate finally our method of commandeering. Almost the last minute in the board before our resignation had reference to procuring a complete list and outline of existing contracts for ships. I want later to pay a tribute to Gen. Goethals's real accomplishment there; it was a very remarkable achievement. Unfortunately it has not been mentioned in the publicity given out by our successors. All of Gen. Goethals's contracts were merged in a group of contracts claimed by the next administration. This is in their publication late in 1918 of a statement called "Shipping facts." Only by digging in the elaborate annual reports could Gen. Goethals's achievements be worked out into a statement.

The press relied on the summary of Shipping facts, which at pages 12 and 13 omit the contracts reported in Gen. Goethals's administration and lumped them in the report of March 30, 1918, under the heading of Organization of present Shipping Board. I think at some time during the course of this session I should be permitted to fully show what he accomplished.

The CHAIRMAN. Those contracts that were awarded all had to be later ratified by legislation, did they not?

Mr. DENMAN. I think not. We began letting contracts and signing them before we had authority, but they were later adopted. They were made by Gen. Goethals and his staff, but as president of the corporation I signed the contracts when they came over with Gen. Goethals's O. K. on them. The only participancy I had in connection with the making of contracts was in the laying down of general policies, particularly with regard to the scheme of fabrication of ships, such as was worked out at Hog Island; the scheme and the project of assemblage of plant for the manufacture of Diesel engine vessels; and the question of the size of appropriations to cover the entire scheme. In this connection I desire to file before the board a statement which is the purpose of my wishing to appear before you.

The CHAIRMAN. No; we will take your testimony. I do not think we care to have statements put in in writing. I understood that you brought to the attention of the committee the purpose of desiring to be heard, at New York, recently, when you were asked about the matter. Is this statement which you ask leave to submit along that line?

Mr. DENMAN. It is a condensed statement of the Diesel motor ship project.

The CHAIRMAN. And that is what we desire to inquire about as we go along.

Mr. DENMAN. I desire to have it considered as offered as it has been released to the press.

The CHAIRMAN. We prefer to have you testify. You have said that you had only about 13 days after the requisitioning and commandeering powers were transferred by the President to the board. During that period of 13 days was anything done that you know of to set up an accounting department of the board or the Fleet Corporation in order to take care of this particular activity?

Mr. DENMAN. That brings up the whole question of division of board operations. My plan for the division of board operations—

The CHAIRMAN (interposing). Well, I did not know but what you could say that there was some effort made to do that or that there was not.

Mr. DENMAN. I am going to outline what we wanted to do and how we shaped it and what happened.

The CHAIRMAN. Is this what was done that you are going to tell us about?

Mr. DENMAN. I am going to tell you what was done.

The CHAIRMAN. All right.

Mr. DENMAN. And I am going to tell you what was not done. I am going to tell you what was recommended and was not adopted. When I proposed to the President the method of division of the powers conferred on him by the Congress in the act of June 15, 1917, the Executive orders that I outlined and suggested made a complete division between the operation of ships as commercial agents and the construction of ships; and the Executive order that was sent to us by the President, following the outline that I had submitted to him, divided the functions of the Shipping Board into two, (1) the construction of ships, and (2) the operation of ships. The manufacture or construction of ships was to be in the Emergency Fleet Corporation—

The CHAIRMAN (interposing). Pardon me, but was that possibly in contemplation when the title "Emergency Fleet Corporation" was adopted?

Mr. DENMAN. I put the word "emergency" into that title to indicate the emergency character of oil-fuel steam engines and wooden hulls. One of them was obsolete; that is, wooden hulls were obsolete as a commercial type when we adopted them. The oil-burning steam engine had its obsolescence already forecast by the leading shipping men of the world, including Admiral Lord Fisher. The purpose of the Emergency Fleet Corporation was to build ships. At that time there were no powers delegated to us to enter into general shipping operations or to control maritime tonnage. Now, to come back to this Executive order, Mr. Chairman, because the separate devolution of power was expressed in the order—the construction of ships was to be in the Emergency Fleet Corporation, and the operation of ships was to be in any one of the three following agencies: (1) The Shipping Board, (2) the Emergency Fleet Corporation, or (3) in any other corporation to be formed by us.

The CHAIRMAN. By the word "us" you mean to be formed by the board?

Mr. DENMAN. Yes. The purpose of mentioning the Emergency Fleet as one of the places where the operating power might be exercised was this: We wanted a separate corporation for operations, but there is a certain portion of operation, in taking the hulls from the point where they are constructed to the place where the engines are installed, in which cargoes are often carried in the hulls, so that there might be a minute portion of operation in the constructing end. But our plan, and the plan I outlined to Mr. Hurley, was to confine the Emergency Fleet Corporation to the building of ships and to a new corporation the operation of ships. My reason for wanting a corporation for the operation of ships was that we could create a corporation that, as I believed, was of a private as distinguished from a governmental character. In handling business on the seas you have got to have the kind of direct executive efficiency that I have found can not be gotten by governmental action. If my plan had been carried out we would have had two corporations, (1) the Emergency Fleet Corporation for the manufacture of these emergency ships and (2) some other corporation for the business operation of ships and transportation.

Now, when I sat down with Mr. Hurley—after I resigned—the first thing I did was to give him, or to outline to him, a project for dividing the two functions of the board, and pointed out to him that the Executive order contemplated a division of the functions, and I thought I had a complete understanding with him as to the advisability of following that course. Unfortunately, it was not done. The operating funds and the shipbuilding funds were commingled, and great and extraordinary accounting difficulties arose, so much so that when Mr. Rosseter came on here, instead of having his energies free for a real constructive program of operations he was very largely occupied in untangling the shipping accounts.

The CHAIRMAN. That is something, of course, that you have no direct knowledge of?

Mr. DENMAN. No; except the knowledge of the shipping world. Every man who has any contact with a shipping company knows that the auditing of shipping accounts, for a long time after I left the Shipping Board, was almost nonexistent. I am speaking now of the operating accounts.

The CHAIRMAN. What experience had you had in shipping, either in building or in operating or supervising, prior to your appointment on the board?

Mr. DENMAN. Oh, I have been connected with maritime matters since 1898. The first case I had took me down the Pacific coast to Central America to get the property of Madame Barrios, the property of the widow of the murdered president. In the course of the proceedings with President Cabrero, I received considerable assistance from the Pacific Mail Steamship Route, which was influential in Guatemala at that time.

The CHAIRMAN. You were counsel for her?

Mr. DENMAN. Yes, sir. While I was counsel for her I established friendships with the leaders of the Pacific Mail Steamship Co., Mr. Schwerin, Mr. Fry, and others, and I have been at some times attorney for the Pacific Mail and at many other times against them, and through them I have had familiarity with many shipping matters. I have supervised contracts for the building of ships. I was attorney for one

of the shipbuilding yards on the coast there that originally built wooden ships but that had ceased to build them before the war and built none during the war. It had become a steelyard. I came in contact with the oil situation as Assistant Attorney General of the United States in control of oil litigation at its beginning, and there made a study of oil conditions. I was attorney for Fred. Olsen's fleet of Diesel motor ships, which for a long time before I went on the Shipping Board had been operating those ships between Scandinavia and the United States. I have operated ships myself; in fact, I have sailed two wooden Huff ships during the last two years over 120,000 miles on the Pacific, and have carried over 200,000,000 feet of lumber. I know something about the wooden ship and its obsolescence and its small remaining usefulness.

The CHAIRMAN. Who fixed the function of division of the various contracts you signed and which had the approval of the board?

Mr. DENMAN. Gen. Goethals and his staff. He had one able negotiator; several in fact, but one I came in contact with, by the name of Mr. Fuller of New York—

The CHAIRMAN (interposing). What were his initials; do you remember?

Mr. DENMAN. I have forgotten his initials.

The CHAIRMAN. Is he of the George A. Fuller Construction Co.?

Mr. DENMAN. No; of an entirely different group. The Fuller I have in mind was a banker but an extremely sharp business man. I judge so from the wails that came in from contractors about him, and from the fact that he always closed his bargain, got what he went after, which meant a great deal. Gen. Goethals in about 40 days' time contracted for 525 vessels, and had the Hog Island project fairly well worked out. You will recall that the press and the public have stated ever since we left the Board that Gen. Goethals resigned and that I resigned because of a conflict over wooden ships. That is absolutely false. There was no dispute between Gen. Goethals and myself over the general wooden ship project, and the general disagreements between us, which were slight, came up in the month of May, and were all solved by the month of June; and the last thing he did on the Board was to declare his allegiance to the wooden ship project and his desire to build all that he could. And he deprecated these statements in the press, and said he had been repeatedly misrepresented by the journalists.

The CHAIRMAN. That was when he resigned. Neither you nor Gen. Goethals made any statement while you were on the Board to the effect that there was no controversy between you about wooden ships, did you?

Mr. DENMAN. Yes, sir; I made a good many.

The CHAIRMAN. To the press?

Mr. DENMAN. Yes, sir.

The CHAIRMAN. Official statements?

Mr. DENMAN. Yes, sir; official statements. The fact was that nobody would believe it. It was one of the most extraordinary things imaginable, the fact that nobody seemed willing to believe that statement. I asked Gen. Goethals, at this last meeting—and we had no idea we were going to resign then—

The CHAIRMAN (interposing). What was that statement?

Mr. DENMAN. We had no idea we were going to resign then, neither of us. I asked Gen. Goethals would he put out a statement, which he did, and I have it here.

The CHAIRMAN. Just before you allude to that, I do not quite understand what you mean. You say that you had no idea that you were going to resign at that last meeting?

Mr. DENMAN. Yes, sir; that was my statement.

The CHAIRMAN. Do you mean to say that when this meeting was held you had no idea it would be your last meeting?

Mr. DENMAN. I had not the faintest idea in the world that it was.

The CHAIRMAN. This meeting was held while this alleged wooden ship controversy was raging, was it not?

Mr. DENMAN. Yes; but the real controversy was over Hog Island. I will read you the record of a statement on wooden ships signed by Gen. Goethals and published in The Sunset Magazine—but he did not write the first paragraph; it is not his style:

On the building of ships to carry the sinews of war may rest the hope of democracy. Activities on the Pacific coast have not been confined to a particular class of vessels. They are constructing ships of both steel and wood; large steel cargo ships, wooden ships complete, and wooden hulls, for which the machinery will be furnished by the Emergency Fleet Corporation. The ready response of the Pacific coast to the country's emergency has been very impressive. The people of that section have seemed to be fully alive to the situation since the Government undertook this shipbuilding program. Notwithstanding the contracts which have been awarded, many additional ships must be constructed, and I confidently expect that the Pacific coast will do its full share. We must have all the ships it is possible to secure, both wood and steel, on contracts satisfactory to the interest of the Government and fair to the contractor.

GEORGE W. GOETHALS.

Now, his other statement at this last meeting, on wooden ships, is as follows—

The CHAIRMAN (interposing). What is the date?

Mr. DENMAN. This is on July 18 and 19, 1917. It is from the minutes of a special meeting of the United States Shipping Board, pages 276-277:

As an emergency measure wooden construction assisted in the program for tonnage, so that the idea that I always had was to go to the production of both steel and wooden ships. I know that I have been misquoted as saying I was against wooden tonnage, but there is no basis for that, and my actions so far in the making of contracts have fully demonstrated this.

The conference continued to the next day, when he added:

As I said on yesterday, I have not been opposed to the wooden ships as I have been reported. I never made that statement. I advocated the use of steel and wood, going to as much of both as we could get. That has been my position all along.

Then I said:

THE CHAIRMAN. I know the impression created in the minds of men who went out was that you did not want to build them?

Gen. GOETHALS. I am sorry that impression was created. I do not know how it got out.

The CHAIRMAN. I think from your speech in New York.

Gen. GOETHALS. Unfortunately the speech was not correctly quoted or was misquoted.

Following that he put out the statement I have just read, which appeared in the Sunset Magazine, after we had resigned.

Mr. CONNALLY. You put into the record a moment ago that Gen. Goethals did not write the first paragraph of that statement. Did you mean it?

Mr. DENMAN. I say it was not his style, but he adopted it.

Mr. CONNALLY. Didn't you say he did not write it, and that it was not his style?

Mr. DENMAN. It was not his style.

Mr. CONNALLY. I think you ought to change your statement in the record, because I understood you to say that he did not write it and added because it was not his style. I think it would be a little unfair to put into the record a statement as coming from a man and then say it was not his style.

Mr. DENMAN. Well, the composition was not his style. It was a florid appeal and contrary to and unlike his nature, which is to get a thing done without any unnecessary verbiage. I was attempting to free Gen. Goethals from the charge of journalistic construction, which I think has been one of the features that some of the war instrumentalities suffered from.

Mr. CONNALLY. It occurred to me that you quoted it with approval as to a part of the statement and then said a part was not his.

Mr. DENMAN. Well, I refer to the part as to wooden ships.

Mr. CONNALLY. I do not think it fair to take the part of a statement that is favorable and then deny the rest.

Mr. DENMAN. I do not want to be unfair to Gen. Goethals. The public has treated him unfairly enough in connection with this matter, and I shall not add to it. His accomplishments were great, but they were not in the nature of journalistic shipbuilding; they were in the nature of actual production of ships.

The CHAIRMAN. You say that in 40 days Gen. Goethals let large numbers of contracts for both wood and steel ships?

Mr. DENMAN. Yes.

The CHAIRMAN. Do you know how large a portion of those contracts was completed within the time fixed in the contracts?

Mr. DENMAN. I cannot tell you as to that, but I should be able to get it for you if you would like to have it. But I desire to say this, that both in regard to the Hog Island scheme and the wooden and steel tonnage, Gen. Goethals did not have the carrying out of his plan, either for wooden ships or his plan for Hog Island, and if there were deficiencies in the ultimate output they can not be attributable to him—except insofar as the original scheme may have been the cause of it.

The CHAIRMAN. Do you recall whether or not you had some controversy with Gen. Goethals or anybody else with reference to a contract to be awarded to the Downey Shipbuilding Corporation?

Mr. DENMAN. No; there was no conflict over the awarding of the Downey contract.

The CHAIRMAN. Well, over its terms?

Mr. DENMAN. The Downey contract was but one of a group of contracts in which the tentative basic price for steel plate was placed at four and one-quarter cents. I had made some investigation of the price of steel plate, through experts, whose communications were confidential because the steel manufacturers as a whole were seeking a very much higher price than I thought they should have, and a much higher price that they ultimately received—and from an examination of these sheets furnished by these experts I concluded that the proper price for steel plates was somewhere between two and one-half cents and three cents for American construction in the Government programs for the Army and the Navy and the Shipping Board.

Gen. Goethals had had a conference with Mr. Farrell, of the Steel Corporation, early in May or late in April, and as the result of that conference the price of steel plate was tentatively fixed at $4\frac{1}{2}$ cents. I acquiesced in that price at that time. This information I obtained from those experts came after I accepted Gen. Goethals's tentative price of $4\frac{1}{2}$ cents. I later thought we both were going too high, and decided that I would urge a lower price. I understood that he and I were in accord on the lower price. Later we had a meeting with the shipbuilders, not the steel manufacturers but the shipbuilders, in the first week in June, and the question was put to him as to the basic price for steel plate, and he said it would be $4\frac{1}{2}$ cents. Shortly afterwards several contracts, including the Downey contract, were presented with the price of $4\frac{1}{2}$ cents, the tentative price, in them. Now, as to this Downey contract, I requested that the price be changed to $2\frac{1}{2}$ cents, which the general did immediately. So the Downey contract was signed with the amount changed from $4\frac{1}{2}$ cents to $2\frac{1}{2}$ cents. But this was not the Downey contract about which the dispute arose as to Mr. Bolling's participancy in it; that was a contract of the following spring for the construction of tugs. I have never heard of any controversy over the first Downey contract that involved the Downeys. Now, the basic price for steel plate was something that did not concern the Downeys or the parties to the contract, because it was provided in the contract that if the steel plate cost more we absorbed the increased cost, and if it cost less we got the benefit thereof. The point that I made with Gen. Goethals was that $4\frac{1}{2}$ cents appearing as the tentative basis was a very bad bargaining point for us when we sat down with the steel manufacturers.

Mr. Gary later offered me all the plate we needed at 3 cents a pound.

The CHAIRMAN. Does that appear to be a photostat of your signature, Mr. Denman [showing to Mr. Denman the photostat of some paper]?

Mr. DENMAN. Yes, sir; that is mine.

The CHAIRMAN. You do not know why the date of this contract was changed from the 3d of June to the 3d of July, do you, unless it was a typographical error—it was the first Downey contract.

Mr. DENMAN. I can not recall, Mr. Chairman.

The CHAIRMAN. Did you, while you were chairman of the board, make any contracts for Diesel engines?

Mr. DENMAN. The Diesel project I brought to the board as my contribution to the commercial future of the American merchant marine. The Diesel motor ship has been used on the seas from 1904, very largely in the Baltic and Black Sea trades, and—

The CHAIRMAN (interposing). Perhaps you can answer this question: Did you make any contracts for the Diesel engine while you were chairman of the board; and then we will ask you with reference to the matter over there?

Mr. DENMAN. I procured a plant, the license for the Burmeister and Wain Diesel, the standard Diesels of the world then, and which since have been adopted by Lord Perry and others for use in Diesel manufacturing plants in Great Britain—

The CHAIRMAN (interposing). Can't you tell us whether you made any contracts for Diesel engine ships?

Mr. DENMAN. Oh, yes. We did not get further than the presentation of the contract for our signature; it was not signed by the board.

The CHAIRMAN. Will you give us the reason why the contract was not signed?

Mr. DENMAN. Because we were debating as to whether or not we would accept the contract or would commandeer the plant and run the plant as a national project. That was to be settled on July 24, the date that we both resigned.

The CHAIRMAN. Before I ask you with reference to this Diesel proposition, when first did you know that you were to resign?

Mr. DENMAN. On the 24th of July, 1917.

The CHAIRMAN. And who asked you to resign?

Mr. DENMAN. It was contained in a communication from Mr. Wilson.

The CHAIRMAN. President Wilson?

Mr. DENMAN. Yes.

The CHAIRMAN. While you were on the board did your board have charge of reconditioning some of the former German ships?

Mr. DENMAN. Quite a number.

The CHAIRMAN. And had any of them been transferred to the Navy prior to your resignation?

Mr. DENMAN. Yes; a great many were transferred to the Navy as soon as formal seizure was made. That is, those ships that were cargo carrying ships; that type we kept—and some were of the passenger carrying type—and I think in the month of May some of the latter went over and some in the month of June. You will remember that the German ships were injured as to their engines by their engineers; and the Austrian ships also, but not so badly.

The CHAIRMAN. Were there any ships upon which the Shipping Board was at work reconditioning which were transferred to the Navy Department or the War Department while you were the chairman of the board?

Mr. DENMAN. I think the work of reconditioning of some of these passenger ships had started. Whether we began the organization for the reconditioning of those ships—and I can no doubt give you the date here [looking among his papers]—no; I have not the date, but it was just after we declared war, in the month of April, 1917, that we appointed a committee in New York for the purpose of undertaking the repair of these vessels and their operation—and we had nearly all the repair facilities on the Atlantic coast tied up and engaged in their reconditioning by the 1st of May or thereabouts, long before the actual allocation was made to the Shipping Board. You will remember that in those days we were doing things regardless of authority. When I got above \$100,000,000 in contracts that I had illegally signed I felt safe; and Mr. Hoover, just after that, got up to over \$50,000,000, and both of us congratulated ourselves that we were beyond the point of suit, as neither of us could meet judgment.

The CHAIRMAN. Now, then, returning to the matter of the Diesel engine: Were there any plants in the United States manufacturing Diesel engines?

Mr. DENMAN. The following plants were manufacturing Diesel engines:

1. Nordberg Manufacturing Co., Milwaukee, Wis.
2. McIntosh & Seymour, Auburn, N. Y.
3. Skordie-Pacific Oil Engine Co., San Francisco, Calif.
4. Dow Pump & Diesel Works, Alameda, Calif.
5. Worthington & Holly Works, Buffalo, N. Y.
6. Fulton Iron Works, St. Louis, Mo.
7. James Craig Diesel Works, Jersey City, N. J.
9. Midwest Engine Works, Indianapolis, Ind.
10. Winton Engine Works, Cleveland, Ohio.
11. New London Ship & Engine Co., Groton, Conn.
12. Burch Sulzer Diesel Works, St. Louis, Mo.

The last two were manufacturing for the Navy. You will recall that the Navy made very large use of Diesels before anybody else did in this country.

Now, these companies were manufacturing land Diesels, and some small marine Diesels, but the standard Diesel license at that time was not being utilized in the United States. All of these factories could have manufactured standard Diesels of the type used in the Danish East Asiatic fleet for many years before I went on the Shipping Board.

The CHAIRMAN. Had the manufacture of Diesel engines at the time you were chairman of the Shipping Board progressed beyond the experimental stage?

Mr. DENMAN. I hand you, sir, a photograph of 21 ocean-going Wiesel ships, then sailing the seas, and of tonnage running from 6,500 tons dead weight to 10,000 tons deadweight. This is a single fleet, the output of a single yard. Nearly all these ships were operated by the Danish East Asiatic Co., which sailed from Copenhagen through the Mediterranean to the East Indies, up the China coast, across to San Francisco, and around through Magellan, and then to Europe. Many of these vessels were for over a year at sea and no engine troubles developed that at any time interfered with their operation. They consumed about one-third the amount of fuel that our oil-burning turbine engines consume; and because they have no boilers and no condensers, and because they only have to carry one-third of the amount of fuel, which is carried in their ballast tank, they have an increase of 12 per cent in cargo capacity over the ordinary commercial types of tramp steam vessels. It was this demonstration, these years of use of these vessels, that had satisfied every man who knew the world game of shipping that these were the only type to be used by a nation having a fuel oil supply, long voyage commerce, and bulk cargoes to be carries.

The CHAIRMAN. How many contracts had you made and that you had not signed; or, for how many ships, as nearly as you can recall.

Mr. DENMAN. My recollection is that I had signed for as many as over 400 ships, and that on my desk were, awaiting my signature when I resigned, or when I received the suggestion of my retirement, some 70 or 80 ships more. These figures are approximate.

The CHAIRMAN. All of those to be with Diesel engines?

Mr. DENMAN. Oh no; I am referring now to all ships. I thought you meant contracts generally for ships.

The CHAIRMAN. No; I asked you how many contracts you had signed for Diesel engines; or, how many ships had you negotiated contracts for that were to be equipped with Diesel engines.

Mr. DENMAN. The project which we had was primarily for the manufacture of engines; to get established in this country—

The CHAIRMAN (interposing). For how many?

Mr. DENMAN. They were to turn out in the Cramps organization 24 Diesel motor ships of 9,600 tons deadweight capacity, with a gain of 12 per cent over the other types. That is to say, they would have been 12 per cent over the 9,600 deadweight capacity, and of 11.6 knots speed on trial trip. Now, this limitation of 24 ships was a limitation of the yard's capacity, of the Cramps yard, and contemplated two years' construction. The engines and the engine plant could be tremendously expanded, from the license used in other Diesel engine plants, which I have described here, and a vast fleet of them could have been prepared for.

The Diesel engine consists of some four to six units arranged along a shaft in very much the same way as the cylinders are arranged in an automobile. The consumption of oil, however, or rather the burning of oil, is entirely different from that in the case of the automobile, as it is not by explosion in the cylinders of gas as in the case of the automobile but consumption or burning of oil in the cylinders of the Diesel engine. These six units would be smaller in size and have smaller parts, but of similar power to steam reciprocating engines, and the multiplication of parts by the process we Americans are familiar with would have enabled us to turn out very large numbers of Diesels, probably as rapidly as we did our steam engines.

The CHAIRMAN. If I understand your testimony correctly it is that while these various firms you have enumerated were making Diesel land engines and small Diesel marine engines, none of them had manufactured Diesel engines of sufficient size and power to be installed in these ocean-going steamers, not until the time that you had laid out this program.

Mr. DENMAN. They had built many engines of size and power, but they were not marine engines. In other words, they were equipped to build marine engines provided licenses and drawings were furnished to them.

The CHAIRMAN. Was there a single steamship company operating, a United States corporation, an American steamship company, that had any ship constructed in which had been placed the Diesel engine, at the time you were chairman of the board?

Mr. DENMAN. The United Fruit Co. I believe had a Diesel engine ship, but you will remember that our American merchant marine was not particularly prosperous up to the war, and that during the earlier years of the European war there was very little stimulation of it.

The CHAIRMAN. Do you mean prior to the war in 1914?

Mr. DENMAN. Yes, sir.

The CHAIRMAN. But were there lines operating ships in which were Diesel engines that visited American ports?

Mr. DENMAN. Yes; the Danish East Asiatic Co., the Swedish East Asiatic Co., Fred. Olsen's line, and others. The first Diesel to come into the port of San Francisco was the *Siam*, a 10-000-tonner, which arrived there in the year 1913. I remember that the entire water-front group, the shipping group, went down and visited her. There had been a number built before her. She made a voyage

around the world, and I think one or two voyages, with this consumption of oil I have described.

Among the ships coming in, of the fleet that I represented, Olsen Fleet, there was a 9,600-ton Diesel engine ship, the *George Washington*, which I, as his broker or agent, chartered to the Navy in the fall of 1916. She carried coals from the Delaware Capes to the San Francisco Bay, and made the voyage with her usual economy and efficiency. The *George Washington* was one of the later built vessels, before I went on the board, but the designs were very little different from the *Selandia*, which was of the first group built in 1912, and started on her first trip in February, 1912. The *George Washington* was afterwards chartered by the Shipping Board, in the fall of 1917, and the Shipping Board experts made a voyage on her. I have seen their report. In every respect it confirms the statements I have made here concerning the efficiency of these vessels, and that was a Shipping Board voyage and the least expensive and one of the most profitable voyages made by any Shipping Board ship.

The CHAIRMAN. Were there any plants in this country that were sufficiently well equipped to have undertaken the construction of marine Diesel engines for these other ships which were contracted for as the result of the war emergency, on a large scale?

Mr. DENMAN. Yes; this list I have given you, all of them have been completed in plants manufacturing these large size Diesel engines. It was a question of design of engine and of license to use them; we built and expanded a very large number of steam engine plants, built new ones and expanded them, and the parts to be made in a steam-engine plant are very much larger than the parts to be made in these plants. The metallurgical defects in the Diesel which bothered the Diesel manufacturers in 1904, 1905, and 1906, had all been solved. Our mechanics, men who turned out automobiles and the Diesel engines for submarines, our mechanics in this country are as skilled in construction and even more so than mechanics in Europe. It is all hocus pocus and a defeatist policy to talk about the superior ability of Danish and Swedish and other European mechanics. They have not come up to us in the matter of motor vehicles in any kind of mass production.

The CHAIRMAN. Had any policy been adopted in the Board prior to your resignation for the construction of any large number of Diesel ships, outside of these 24 that had been arranged for?

Mr. DENMAN. Outside of the 24 arranged for?

The CHAIRMAN. Yes.

Mr. DENMAN. Yes; the policy of developing a plant for the construction of engines beyond the hull capacity of the Cramps yard.

The CHAIRMAN. But, Mr. Denman, you had already signed contracts for some 400 ships, and there were some 70 or 80 other contracts on your desk awaiting signature.

Mr. DENMAN. For 70 or 80 ships?

The CHAIRMAN. Yes; contracts for 70 or 80 ships on your desk awaiting signature at the time you resigned. Those contemplated putting in the steam marine engines, did they not?

Mr. Denman. Oh yes. We had the plants. We had to get the tonnage. The sinkings by submarines in the months of February, March, April and May, in which we developed our program, were at the rate of 13,000,000 dead-weight tons per annum. Sinkings in the

months of May and June would have equaled all the wooden ships at our highest estimate of production in two years; just two months of sinking would have equaled that production, and a shade over. We had these large steam-engine plants in the country, and of course the only thing to do was to build every steamship we could. The idea I had was that when we came to expanding any then existing steam plants and building new steam plants, that some of this billion dollars we were spending should go in for these matured types of Diesel engine—not that the whole thing should be steam production, because we could not have gotten that, but that carefully we should insert in the American fleets this type of engine.

The CHAIRMAN. Do you know of your own knowledge whether or not those contracts were signed by your successors?

Mr. DENMAN. They were not.

The CHAIRMAN. Do you know of your own knowledge whether any Diesel-propelled ships were contracted for by the Shipping Board after you resigned?

Mr. DENMAN. Not one. In all the 8,000,000 tons that we had contracted for there was but one motor ship, which has not yet reached her trial trip. The engines in that ship were procured from Burmeister & Wain, in Copenhagen, and sent over here, and they waited here for nearly a year before they installed them. And the vessel has not yet been tried out. The dispute that the fleet of ships—and three times as many are on the sea, with Burmeister & Wain engines—the dispute that they are talking about, that this ship is of an experimental type, and that they are experimenting with the Diesel engine, which for eight years has been sailing the seas everywhere, and for whose efficiency reports are available, the Danish East Asiatic Co. puts out its statements—and they will give any information that we want—I say, there seems to be that dispute, and we are talking about experimenting with a Diesel engine ship some time within the next eight months, and it is all in the face of this experience that I tell you about.

The CHAIRMAN. We have had some testimony to the effect that some Diesel engines were being constructed in a certain plant, and which engines had been tried out and proved to be failures. Do you know of any such engines having been made for the Shipping Board, of your own knowledge?

Mr. DENMAN. Well, of my own knowledge it only goes to points I have read in the technical journals. No contracts have been let for Diesel engine units of sufficient size to propel a 10,000 ton or 8,000 ton vessel at proper speed for modern commerce. Some small engines were ordered to be constructed in several plants, but none of them would have been commercially available in competition on the sea. Whether or not they were a success I do not know. But I do know that not a dollar of these billions of dollars that have been spent has been spent for the construction of a Diesel engine of sufficient size to drive any 10,000-ton ship at a speed of 10 knots.

The CHAIRMAN. Did you procure these licenses in your official capacity as chairman of the Shipping Board?

Mr. DENMAN. They were procured through the Cramps who operated on an American license, but they did not have the drawings that they wanted and through Frank Polk correspondence was taken up —

The CHAIRMAN (interposing). Through whom?

Mr. DENMAN. Frank Polk, Assistant Secretary of State. Correspondence was taken up with the Danes, and the equipment that the Cramps people desired, or the information they desired, was secured.

The CHAIRMAN. Were they in any position to have undertaken the construction of these Diesel engines had the contract been signed?

Mr. DENMAN. Beyond any question.

The CHAIRMAN. Why didn't you sign the contract?

Mr. DENMAN. These contracts were presented to us two days before our resignation. We were discussing whether or not we would commandeer the plant and make it a national scheme, like the Hog Island scheme, and we were considering whether we would sign the contracts, and, as I say, the request for our resignations came at this time. The first thing I did was to take the matter up with Mr. Hurley. I told him of these other contracts in contract form, ready for signature, that they were in the files of the Shipping Board. I told him of the experience of the Danish East Asiatic Co., and of the Norwegian and Swedish fleets, and urged him to take up the project. I then went to New York, where I met Mr. Fritz Olsen, a son of Mr. Fred. Olsen, and told him what I was trying to do, and he suggested that the *George Washington*, a 10,000 tonner, should be put under the American flag, so that the Shipping Board could have a direct and practical trial with it, and study its workings, if they were not satisfied with the innumerable trip reports of all these various owners. I rang up Washington to see if I could get hold of Mr. Hurley, and found he was in Chicago.

As I went west I stopped off and spent half a day with him at Chicago, and asked him to enter into negotiations with the Olsens for putting the *George Washington* under the American flag. That would have to be a matter of bargaining with them, because they would want to have a certain number of free trips, as they were free when they remained outside of us. I wired Mr. Hurley afterwards about it, and he wired back that they were not going ahead on it. I came on again in the following January, and again urged him, and he seemed to be very much interested, but besides writing some magazine articles we have gotten on nowhere.

The CHAIRMAN. Were you the representative of any firm or ship operator prior to your appointment as chairman?

Mr. DENMAN. Oh, of a great many. I had had general maritime practice.

The CHAIRMAN. Did you represent any Diesel engine manufacturer?

Mr. DENMAN. No; neither before nor since. As a matter of fact, I have talked with no Diesel engine manufacturer in the last year and a half about Diesels, have not talked with one. I do not have my memorandum here, but I came on to try some cases here in the east, and heard that you were going to call me, and I have availed myself of the library of the Motor Ship, a publication in New York. I had some discussion there with some men disconnected from my plant.

The CHAIRMAN. Did you represent some steamship line that operated Diesel engine property, shipping?

Mr. DENMAN. Yes, sir; I represented the Olsen line, and it was the Olsen people that offered to put the *George Washington* under the

American flag, so that the Shipping Board could have it directly under its inspection.

The CHAIRMAN. Was that done?

Mr. DENMAN. It was not done, but the *George Washington* was chartered by them as I have described, late in 1917.

The CHAIRMAN. Did you usually take two days with contracts coming to you, to decide whether they would be signed or not?

Mr. DENMAN. Oh, it depended on the questions involved. I might take a week. But there was no delay in the signing of contracts. But if you take a pile of contracts that high [indicating about a foot] with the other administrative duties of your office, it can not be done in the wink of an eye.

The CHAIRMAN. Did you inaugurate any policy whereby this vast number of contracts for the construction of ships, steel ships and wooden ships and certain specified classes of tonnage, was to be constructed under a uniform form of contract, the main conditions of which were to be uniform in all cases; or did you make the best bargain you could with the various contractors?

Mr. DENMAN. Our contracts were fairly uniform, up to the time when I left the Board. There was, of course, a great deal of discussion as to what was the best type of contract to be used. There had been four methods of making contracts usually with shipyards ever since I have been practicing law and perhaps for a hundred years before that: (1) There is the pure lump-sum contract, in which the completed ship is to be furnished for a definite amount, and the risk is taken by the manufacturer; (2) there is the lump-sum contract with variable on certain items about which there may be doubt; the lump-sum figure remaining, but there being added to it or subtracted from it a certain amount as the items of cost may be more or less; (3) there is the cost plus a fixed fee plan. These are all old shipping methods of contracting. In the cost plus a fixed fee the owner pays the entire cost but the contractor gets a fixed fee, which does not increase or decrease with the actual cost of the vessel. (4) Then there is the pure cost-plus plan, which was for many years used by the Navy, surrounded by certain restrictions as to inspection, in which the United States or the other party having a ship constructed, pays all the cost plus a percentage which is fixed on the total cost of the vessel.

We very early gave up the idea of having a lump-sum contract pure and simple, because of the vicissitudes of labor and material facing us; they were so great that nobody would take a contract of that kind. Nearly all contracts I signed were for lump sum with variable allowance for additional in the case of material and in the labor scale. By this method the profit of the manufacturer was not increased by the increased cost of the vessel, so that he would be tempted to run up prices on us, but he was protected with regard to certain items about which future prices were doubtful.

The CHAIRMAN. Did you sign any contracts for cost plus?

Mr. DENMAN. Not one. There were some cost plus a fixed fee, perhaps, but I do not recall whether I signed them or not. Frankly at this moment I can not recall. But there were no cost-plus contracts by which the contractor by increasing the cost of the vessel could increase the amount of his compensation.

The CHAIRMAN. Well, did you sign any contracts under the cost-plus plan, either cost plus a fixed fee or cost plus a percentage, in which the contractor was permitted to charge a percentage upon the increase in materials or increase of wages, both of which were made by the Shipping Board or Emergency Fleet Corporation?

Mr. DENMAN. Not one. Both Gen. Goethals and I were strongly opposed to that system.

The CHAIRMAN. Now, with reference to the steel and wood ship program, What was the policy fixed by the Board while you were chairman, Mr. Denman, as to the relative number of wood ships to be constructed as an auxiliary, if that is a proper term, to the steel fleet?

Mr. DENMAN. The policy that was adopted was the outgrowth of our early experiences with the manufacturers and our foreign boats when I first came to the board. Answering your question directly, the policy that was adopted—as announced by me two weeks before we engaged Gen. Goethals, and afterwards announced to the Congress in a letter the board wrote on the fifth of May, 1917—was substantially this: That we should obtain legislation which would enable us to shut down high building construction and bridge construction and all other forms of nonwar steel manufacture, and drive into munitions and ships all that material; expand the steel plate rolling business as far as we could go to the building of fabricated ships in several plants; and to build as many wood ships as we could without disturbing the steel program.

The wooden ship project was brought to us by Mr. F. A. Eustis, a well-known yachtsman and manufacturing metallurgist. He came to me in the latter part of February, 1917, and urged us to build as many wooden ships as we could on account of the sinkings in the north Atlantic, then becoming very large. I knew about the wooden ship, because as I say, I was attorney for a wooden ship plant, and had litigated many ships of wood construction, and was familiar with their hulls, and particularly with that type of large wooden steamer that was used in the coastwise trade on the Pacific. I told Eustis that I did not think we could get the engines but I knew we could build the hulls. He said there was a large number of factories in the Ohio and Mississippi Valleys that could build engines sizable for these wooden ships.

I then said I did not believe we could persuade the Congress to accept such a program; that as the ships were commercially obsolete there would be such an outcry against them that the Congress would not go on the venture. He said to me "Well, if you can get behind you some of the biggest men in the country do you think the Congress would accept?" I said, "Yes, but where are your men, who are your men?" He mentioned a group of men, and I think Gen. Goethals. I said, "If you can get that group, or the General himself, to advocate the building of wooden ships I think the Congress would be willing to accept the project, always as a supplemental fleet to steel." About a week after that Eustice came into me and said Gen. Goethals was in our drafting room. I went in and met him. During that conversation he had on his lap plans of these two wooden Huff ships that I have operated myself.

The CHAIRMAN. The Huff type.

Mr. DENMAN. Yes, sir; the wooden Huff type of ship. They were smaller than the ships we afterwards constructed, but they were stronger and were successful, as were both types. Gen. Goethals said, "Denman, this is what you want to do. Sinkings are so great in the Channel and in the North Sea that you ought to build as many as you can." The discussion lasted some time, and Mr. White and Mr. Brent and a number of others I recall were there. He left, and as he left he said, "Now, anything I can do to help you out on this I will be glad to do." I think what the General had in mind at that time was if we wanted to call him before a Congressional Committee he would be glad to offer his services. But I took it to mean that if we wanted to call upon him as constructor to assist us he would be glad to do it.

Gen. Goethals was not seeking a job, and I did not have that in mind, but I offered him \$50,000 a year, or suggested that as an amount, and he laughed and said, "No; I will take my Army pay." There was never any question of pay about the General. He is a mighty good American. About ten days after that I went to New York and announced our steel major program and described in detail at a meeting in New York at the Chamber of Commerce our wooden program. This was the day before war was declared. The country was in a state of hysteria, and over night the journalists of New York built me a bridge of wooden ships from New York to Liverpool, over which the victorious army of American people and the sutlers' wagons were going over to succor Europe. It was absurd. In those reports there was nothing said about our major scheme of building steel ships; but, fortunately for the record of the thing, my speech was taken down and afterwards published.

About a week after that I went to the President and asked him to call General Goethals to assist us in the building of our war tonnage. And the President did call him, and General Goethals did come to us, and he did build all the steel, or started, initiated the building of all the steel and all the wooden ships that could be built. Where the controversy story came out about wooden ships—

The CHAIRMAN (interposing). Did I understand you to say that Gen. Goethals started the construction of all the steel and all the wooden ships that could be built?

Mr. DENMAN. Started with that plan in view, yes.

The CHAIRMAN. But he did not sign all the contracts that the Shipping Board awarded for ship construction?

Mr. DENMAN. No. He started with the campaign of building all he could, and during his limited time we signed all contracts for both types of ships, he could get. We both detested the idea of wooden ships. We knew they were obsolete. Gen. Goethals—and I think I will not hurt his feelings in saying it—is not a diplomat, and he expressed his disgust, as I did on many occasions, and certain of the journalists I think received the impression that his dislike for that type of ship for commercial purposes was addressed to the project of building them for the war emergency. As a matter of fact, I was under the impression that he had said to various men that he did not want to build wooden ships, and later, after I left the board, the explanation came out that he had said that, but that he was referring to the fact that he did not want to build them with commercial use in view. But from the first of June until we left there was never the

slightest flicker of difference between Gen. Goethals and myself on the project of building as many wooden ships as we could.

The CHAIRMAN. Did you have any controversies with him over the matters which may have been the cause for his resignation?

Mr. DENMAN. The real difficulty that arose between the general manager and the board—and it was not between Gen. Goethals and me, but between Gen. Goethals and the Shipping Board—arose out of the division of authority that was made by the President. In the month of June there was the question in the President's mind as to whether or not the entire building program should be given over to Gen. Goethals as general manager, or whether it should rest with the Fleet Corporation—that is, with Gen. Goethals as general manager or any successor to the general as general manager. The President decided, in accordance with the suggestions of the Shipping Board, that the power should rest in the Emergency Fleet Corporation as a corporation and not in the general manager as an individual. Gen. Goethals, despite this, assumed that as to the responsibility for the program of building ships it was upon him, and the board as directors of the Emergency Fleet Corporation knew that by the terms of the order they were responsible to the Congress, and that they would have to account for their expenditures, and also make the applications for money.

The Hog Island enterprise was then being drawn together by Gen. Goethals and the board insisted that the general take the matter up with them and explain with some outline that would be comprehensive, just what the Hog Island project was, so that we could outline to the Congress and appear before your committees here and get our appropriations. Now, Gen. Goethals did not want to waste the time of talking with us—and I can sympathize with him, because, gentlemen of the committee, board management is not efficient for rapid business, and we were debating during the period of a week prior to our resignations the provisions of the proposed Hog Island contract. That was the dispute, if you may call it that, that was the immediate preceding incident to the request for resignations. There was nothing about wooden ships in it.

The CHAIRMAN. Did any controversy which arose between you and Gen. Goethals, or between Gen. Goethals and the Shipping Board, or between the general manager of the Fleet Corporation and the Shipping Board, result in delay in the awarding of contracts or negotiations for contracts or in the beginning of the actual construction of ships?

Mr. DENMAN. Not one. There was no delay other than the move arising from my suggestion as to the cost or the price of steel. Of course, those things are essential in the beginning of a project. There were no delays that I know of. He certainly did not hamper me, and I am certain that I did not hamper him. And the matter was practically, all of it, newspaper matter.

The CHAIRMAN. Do you recall having awarded a contract for the construction of ships to the Sloan Shipbuilding Corporation, or some concern of similar name, on the Pacific coast, and the making of a payment of \$830,000, or some such amount, approximately that sum, as an advance payment on one check, for the construction of ships in a yard where there was no way or other plant equipment?

Mr. DENMAN. I do not know anything about that, Mr. Chairman. It happened entirely on the managerial side, although I may have signed the Sloan contract.

The CHAIRMAN. Did you know that it provided for an advance payment for that amount at the time you signed it?

Mr. DENMAN. I know with regard to stimulating new yards, that I took the recommendations or arrangements of Gen. Goethals without comment. In each case judgment had to be made as to whether or not the tremendous need for vessels required Gen. Goethals to take a chance as to the solvency or efficiency of the contractor, and I did not feel that it was up to me, on the operating and planning end with all the other things I had, to interfere with the decisions he made. If I had, the general would have had the right, in my opinion, to make the criticism that has been made from time to time on the board, on us, that we were falling over one another.

The CHAIRMAN. You had to sign those contracts, didn't you?

Mr. DENMAN. Yes, sir; I did.

The CHAIRMAN. When you had a pile of contracts such as you indicated a while ago, about a foot high on your desk, didn't you have a brief or a summary of what the contracts contained?

Mr. DENMAN. No; they were nearly all of uniform form.

The CHAIRMAN. But this one was not.

Mr. DENMAN. I do not recall the terms of the Sloan contract. But the understanding was from the beginning that Gen. Goethals, from the time of his arrival there until his departure, should be supreme in his contact with the contractors and that I was not to interfere. It was only in the question of types and the general fundamental policy that the board over him was to participate in the shipbuilding program.

The CHAIRMAN. Well, was he to be supreme in the location of new plants?

Mr. DENMAN. Exactly.

The CHAIRMAN. And the number of ships that were to be built?

Mr. DENMAN. Well, there was no limit to the number. It was something along this line, as many as they could build. But you can see with the mass of contracts that were let, decisions had to be made very rapidly and that was his job.

The CHAIRMAN. Was he to be supreme in the number of ships the new plants were to build?

Mr. DENMAN. He was.

The CHAIRMAN. Was he to be supreme in the matter of the price they were to receive?

Mr. DENMAN. He was, barring the questions of such raw material as steel.

The CHAIRMAN. Was he to be supreme in the matter of estimates upon which advances were to be made?

Mr. DENMAN. He was.

The CHAIRMAN. Was he to be supreme in the matter of the share which the Government should pay in the construction of new yards, installation of shipbuilding equipment?

Mr. DENMAN. He was.

The CHAIRMAN. And all those matters and many others of similar character were to you, as chairman of the board, matters of detail, I assume, over which you exercised no supervision.

Mr. DENMAN. That is correct, nor could I have done it.

The CHAIRMAN. And the only thing you did as chairman of the board was to sign contracts whenever they came up bearing Gen. Goethals' approval.

Mr. DENMAN. And to endeavor by a study of them to keep the contract and what was going on in mind and be in a position to defend the general program when called before the committees of the Congress.

The CHAIRMAN. Assuming that a shipbuilding concern on the Pacific coast had one yard, say at Olympia, of limited capacity, not exceeding four ways; that they desired to secure a contract from the Shipping Board for the construction of ships, and had in mind establishing a plant at Anacortes, State of Washington, at which point there was no way or yard or equipment or any facilities for building ships—

Mr. DENMAN (interposing). Wood or steel?

The CHAIRMAN. Either, but these were wooden ships. Do you know of any reason why such a concern should receive a contract for building ships at their Olympia plant and also for the establishment of a plant at Anacortes, and be given a check for some eight hundred and odd thousand dollars, with a provision in the contract that future payments were to be made when they could satisfy the Shipping Board that they had ordered material or created liability?

Mr. DENMAN. Well, I have—

The CHAIRMAN (interposing). Assuming those facts to have existed at the time you signed this contract, I mean.

Mr. DENMAN. I can give a number of suggestions regarding that situation: In the first place, was the plant they had coupled with the material they would buy with the \$800,000, security for that \$800,000? I do not know that. Second, were the housing and labor conditions at the second location such as to make it desirable to have a new plant established there, for the loggers and bridge builders and lumbermen of various types, at the second place that were not at the first, for the convenient building of ships there? I do not know that. I do know this, that in my logging operations—and I am logging in a forest some eight billion feet of fir—we scatter our operations there so as to bring the chief operations of the forest near villages and towns, where we can get our labor from the villages and towns to do the work. I do not know about the Anacortes matter. I could not help you on that. It may have been a break. They were going very fast.

The CHAIRMAN. Mr. Denman, isn't it your judgment now that a good deal of the haste which was shown in the executing of contracts in those early days, with the hope and expectation of securing ships within a reasonably short time, was not well founded, and that unusual delay resulted in the delivery of ships because of the haste in executing contracts?

Mr. DENMAN. There was that element in it, Mr. Chairman. But I want to say this about it; we were not building any ships in this country, and we had to get the minds of men riveted on the creation of specific plans. Now, until you had hooked a man by contract, had nailed him down by an obligation to build, you did not get any constructive results in these new building entities. Our scheme was to hook as many as we could; get them nailed down and get them

going. Some would fail, but the most of them we hoped would succeed. And we contemplated that there would be great waste. We were very glad that it was not as bad as it was with airplanes. We were certain that by this process we would get men to do something they had never done before, and that we would, first, have to overpay them to get them going; and, second, that we would have to anticipate that a number would not be successful. Now, if I were going through the same thing again, and were in charge, as I was not, of building ships, I would do just as Gen. Goethals and Mr. Schwab did. Mr. Schwab, I think, made the greatest contribution of anybody, of all of us, to the shipbuilding program. Mr. Schwab is not a detail man, and he is not a detail executive. But Mr. Schwab would take a fellow and by some almost mystic process that he had, would take a fellow who wanted to build 2 ships and nail him down for 10; and by the time the fellow had gotten out of the office, and he was signed up for 10, he was getting his men, superintendents and organization, for the building of 10 ships and possibly out of it we would get 5.

The CHAIRMAN. Possibly you would get five what?

Mr. DENMAN. Five vessels.

The CHAIRMAN. Delivered?

Mr. DENMAN. Delivered; yes. I mean to say that we had to take fellows, many of whom had never built ships—and as I remember the Skinner & Eddy group, who made such a marvelous success, had never been in the shipbuilding business, in a large way at least. And when I say a marvelous success, I mean in rapid construction of tonnage. You will remember that they took a sand spit, with brush on it, and in 10 months had a trial trip of an 8,000-ton ship. And that was done on what had been 10 months before a sand spit.

The CHAIRMAN. And they took over a yard next to them?

Mr. DENMAN. Yes, sir; and they drained existing yards of workmen, up and down the coast.

The CHAIRMAN. The Macey award did not bother the Skinner & Eddy contract very much?

Mr. DENMAN. Oh, no. I am not defending the methods pursued, but what they did was a marvelous accomplishment in getting ships out. The great trouble we had all over the United States was in adjusting all these different fellows, their individual demands for labor and supplies. But you can not get me to defend the theory, or hope for me to defend the shipbuilding program of ourselves or any of our successors on the ground that it was not wasteful; the very method involved the certainty that a number of the men we got would be very wasteful indeed.

Mr. FOSTER. Did you sign the Skinner & Eddy contract?

Mr. DENMAN. I do not recall. It was under consideration when I was there and I think I did.

Mr. FOSTER. Do you remember that there was some feature of that contract providing that a government auditor would not be allowed to go in and take charge there?

Mr. DENMAN. No; I do not recall that.

Mr. FOSTER. Do you remember any of the features of that contract at all?

Mr. DENMAN. I am not familiar with the plant at all, except that the first ship—

Mr. FOSTER (interposing). I mean the contract.

Mr. DENMAN. I am not familiar with the terms of the contract or with the plant.

Mr. FOSTER. You do not know of an reason why any such feature should have been in there?

Mr. DENMAN. Why an auditor should go there and not to other plants?

Mr. FOSTER. No; just the other way, why an auditor should not be allowed to go there? They are up at Seattle, aren't they?

Mr. DENMAN. Yes, sir. Really I can not tell you. I presume it it was a break.

Mr. FOSTER. You do not remember that you signed any contract with them, whether you did or not?

Mr. DENMAN. I do not recall. I know that Skinner & Eddy were under discussion at the time, and they were building a very large number of ships when we organized the board.

The CHAIRMAN. You stated in reply to my last question that waste did result from the shipbuilding program.

Mr. DENMAN. Yes, sir; an enormous waste.

The CHAIRMAN. Do you think that as it has turned out that the particular contribution Mr. Schwab made, which you have indicated, of getting men who wanted to build 2 ships make a contract for 10 and who delivered 5, and then filing claims for the remaining 5, which called for large expenditures of money, is really a commendable contribution to the shipbuilding program.

Mr. DENMAN. No; I did not mention the latter portion.

The CHAIRMAN. But I did.

Mr. DENMAN. We are now talking about paying for the dead horse.

The CHAIRMAN. As the result of creating enthusiasm of the builder to take 10 ships when he was only able to take 2, and bringing about this result, do you think that a good thing?

Mr. DENMAN. Mr. Schwab is the best man to defend that policy.

The CHAIRMAN. I am not asking you to defend it, but you spoke of that as being a contribution to this work.

Mr. DENMAN. I am not attempting to defend it. But you are asking my opinion, and I want to state what the facts are.

The CHAIRMAN. I wanted to get what you thought of that.

Mr. DENMAN. I want to tell you what the facts are, no matter whether it hits me or whom it strikes. This thing is sometimes overlooked: The Army asked us to prepare for a four-year war. You know you have to have a program, huge in general outline, and Secretary Baker, and I think it was Admiral Benson or Secretary Daniels, advised us that as things looked in 1917, even if we might be able to shorten the war, that we should make preparations on the theory of a four-year conflict. Now, those deliveries that my administration would have been responsible for had we carried out our original contracts contemplated about a two-and-a-half-year to a three-year program. What Mr. Schwab had in his mind at this time I do not know.

The CHAIRMAN. What were you doing, Mr. Denman? You said you had no time to examine those contracts, to examine what the particular features of them were; what were you occupied with?

Mr. DENMAN. I do not think I quite said that, Mr. Chairman. I said I had to wait sometimes before I could make an examination of contracts. I attempted to go through them, and there were many

of them identical except as to minor provisions of price. I was doing many things. It is very hard to draw a picture of the war activities there, and a discussion of that kind would involve the whole question of board management, on which I have very definite opinions. I agree with Gen. Goethals, though not in the phraseology used, that board management can not successfully conduct large vital enterprises where the results must be produced either in competition with national competitors or to meet an emergency quickly. And, as a matter of fact, the work that was done by all the administrators in Washington was very largely done on their own initiative with comparatively little board concurrence in the projects that each undertook. For a period of between four and five weeks I scarcely ever appeared at the meetings of the Shipping Board. I arranged with Mr. Brent, vice chairman, the detail business of the day, days filled with little questions as to whether or not we would let a tug go over to Canada, or a ship go to Cuba, or an ice breaker go to the White Sea—things that had to be done but that had nothing to do with the fundamental policies or with obtaining legislation. And the board bore with my absence with some degree of kindness. During that time I was mainly with the Congress.

I was also one of three conferees that sat with the British Commission in the harmonization of the administration of ships between the Interallied Charter Commission and the Allies. There were many things to be harmonized in Washington, and there were grave difficulties there because of the very strong and almost hysterical sentiment that caused the British and others to have the idea that on account of their prior supremacy in ships they should be permitted to dominate in the administration of shipping affairs in Washington. And a good argument could be made on that side of the question, and many gentlemen seemed to favor it. The Cunard ship transaction is an excellent illustration of that: When I first came to Washington I had a discussion with Sir Richard Crawford. Sir Richard was the minister of Great Britain in Washington while Spring-Rice was the ambassador. The commission to Sir Richard was a commission concerning ships and commerce. Early after my arrival here I told him that we wanted to build, with our \$50,000,000, which was our first appropriation from the Congress before the war, a number of steel cargo ships at various American yards. Between that conversation and the third or fourth week in April the Cunard Steamship Co., apparently as a private corporation but as it turned out with the funds of the British Empire, placed orders for 1,025,000 tons of steel ships of the type that I desired, with American shipbuilders, filling up everybody, the remaining stockage of the then existing yards.

One of the reasons why the wooden ship matter came up was because when we attempted to obtain contracts for steel ships we could not get any contracts from the American builders; they were afraid we would be less generous in our terms than the various foreigners, Norwegians, Swedes and the Cunard line, who were contracting for ships. In that first conversation with Sir Richards I said to him that we hoped all of the facilities of the American yards would be reserved for American ships, and that I was going to ask for legislation that would make this possible.

Now, see the absurdity of that position—that we Americans should be building wooden tubs for the supplying of our Allies, or nations who afterwards became our allies, and Great Britain, while they were using our steel shipyard facilities for constructing steel ships on their account. And those steel contracts of the Cunard line were not hurry-up contracts; they were single shift contracts, getting the minimum of efficiency out of the yards.

The negotiations that I conducted with Mr. Balfour regarding these ships occupied considerable of my time and a great deal of my thought. I was embarrassed there because there swept over Washington a propaganda that Denman was anti-British; that in attempting to get back these million tons into American contracts I was in some way hostile to Great Britain. I got it from the tea tables, and at dinner, and very often from my friends, and from various sources in the administration. Now, it was not true that I was anti-British. Our program contemplated stopping the building of high buildings and bridges and of American nonwar construction for the purpose of hurrying up these ships. We were going to turn ourselves commercially inside out to build the very ships, to conserve and bring in the steel for the very 1,025,000 tons that the Cunard line had contracted for; and to insist that when the ships came out as the result of that complete revolution and reversal of the American policy of steel construction, they should be under the American flag, is American, but it is not anti-British.

When the case was finally presented, Mr. Balfour, after some two or three weeks of negotiation with other members of the commission as well as with Mr. Balfour himself, he wrote a letter to me which offered to turn over the contracts to us, and that letter was the basis ultimately of the settlement between ourselves and Great Britain as to those contracts.

That was one of the activities that I was engaged in. I was also engaged in combating the continued statements that the Diesel engine was not successful and was in an experimental stage. One of the leading British ship engineers in Washington attempted to tell me that the thing was experimental, but he very quickly changed his tone when I told him I had been attorney for Fred. Olsen's fleet, and knew all about the East Asiatic Fleet, and the 35 odd large size vessels that then were sailing on the sea. Josephus Daniels himself said to me "Your English friends do not seem to think much of the Diesel." The same remark was made to me by Mr. Brent, my associate on the board. Everywhere was the urging, not the direct statement, that there was not confidence in the Diesel ships.

The CHAIRMAN. Mr. Denman, it is now 12.15 o'clock p. m., and the House is in session, and inasmuch as there may be a number of important matters considered and some votes taken, we will be unable to sit this afternoon, but we will hear you again in the morning at 9.45.

Mr. DENMAN. I will continue the account of the difficulties I had in the adjustments with our Allies, when I come on to-morrow morning.

(Thereupon, at 12 o'clock and 15 minutes p. m. the committee adjourned until to-morrow, Tuesday morning, December 14, 1920, at 9.45 o'clock.)

SELECT COMMITTEE ON UNITED STATES
SHIPPING BOARD OPERATIONS,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Tuesday, December 14, 1920.

The committee met in the caucus room, House Office Building, at 9.45 a. m. pursuant to adjournment on yesterday, Hon. Joseph Walsh (chairman) presiding.

Also present: Representatives Kelley, Hadley, Foster, Steele, and Connally, the other members of the committee.

The CHAIRMAN. The committee will come to order. The chairman has received a statement from Mr. Gillen, in response to questions propounded at one of the previous hearings, I think by Mr. Steele, which he has reduced to writing, and about which he has stated to the chairman he will be prepared to be examined later. If there is no objection this statement can be put into the record, and Mr. Gillen will be heard later when there is an opportunity for him to be examined.

(The statement referred to is here printed in full in the record, as follows:)

NEW YORK, N. Y., *December 9, 1920.*

SELECT COMMITTEE ON UNITED STATES SHIPPING BOARD OPERATIONS,
House of Representatives, Washington, D. C.
Attention Hon. Joseph Walsh, chairman.

HONORABLE SIR: At the close of my testimony before your committee, it was requested that constructive suggestions to correct the conditions and evils surrounding the Shipping Board and the Emergency Fleet Corporation be submitted. Permit me to say, as an opening word, that the testimony adduced on my examination by your honorable committee was arranged in an analytical manner, as one would analyze the affairs of any large corporation for a banking house—the corporate property, the handling of it, and the difficulties surrounding its functions are set forth therein. That testimony and the discussion of fact and remedies, which I will now present pursuant to your request, have not been made in a spirit otherwise than that of constructive criticism of the Jones bill; for I hold that piece of pioneer shipping legislation in high regard.

DISCUSSION AND REMEDIES.

The Emergency Fleet Corporation, with all its activities, should be completely eliminated from any connection with the Shipping Board. The Shipping Board has ultimately to do with matters of commerce and welfare of the nation, while the Emergency Fleet Corporation is fundamentally a liquidation affair involving Government finance and appropriation. Any reorganization at this time must keep clear this separation, not only between the Shipping Board and the Emergency Fleet Corporation but in the committee control of the House and Senate as well.

SEPARATE AND DISTINCT FUNCTIONS OF THE SHIPPING BOARD AND EMERGENCY FLEET CORPORATION.

The Shipping Board has charge of the operation of some 1,400 ships on the seas of the world. It is confronted with present problems arising out of freight, supplies wharfrage, stevedoring, operating companies, trade routes, and ultimately, when the fleet has been liquidated, its duties will be confined to the Federal regulation of our privately owned merchant marine for the national welfare, as set forth in the Jones bill and future amendments.

The Emergency Fleet Corporation was created to build the above fleet. It built shipyard plants, let many great contracts, purchased large quantities of material, and created vast liabilities.

The function, activities, and liabilities of these two corporations are entirely different and distinct. There are great problems before each of those bodies. The commissioners of the Shipping Board are, and act to day as, the trustees and officers of the Emergency Fleet Corporation, trying in a dual capacity to manage and solve the gigantic problems of both institutions. The chairman of the Shipping Board is also the president of the Emergency Fleet Corporation. The Senate Commerce Committee and the Merchant Marine and Fisheries Committee, in the formation of the

Jones bill, have been working with the great fundamental laws of shipping, in a pioneer field, and thus have not had an opportunity to come in contact with and solve the great problems arising out of the liquidation of the Emergency Fleet Corporation.

There are no practical difficulties attendant upon the separation of these two bodies—each has today a separate organization as to accounting and managerial force, as distinct and separate, one from the other, as are their duties and functions.

SHIPPING BOARD.

The Shipping Board should have full control of—

- (a) The management of the 1,400 Government-owned ships.
- (b) The interpretation and enforcement of the laws and regulations laid down under the Jones bill and its necessary amendments—an overwhelming piece of managerial and regulatory work.

It should consist of seven members, selected for their known experience and qualifications to handle the large problems arising out of the management of this great property; to wit: The 176 ship operating corporations that directly manage the physical and commercial operation of the ships. The primary qualifications for the appointment of these men should be their general, known business ability and experience. Each should be selected for a special ability; so that when the Board is complete it will include—

A member experienced in large executive and corporate work, as chairman.

A member experienced in accounting and finance, of the banker or large business type.

A member experienced in shipping.

A member experienced in ship construction.

A member experienced in railroad transportation.

A member experienced in admiralty law.

A member experienced in railroad or commercial legal affairs.

The salary of the chairman should be \$18,000 a year, and of the other members of the board, \$15,000 a year.

Each of the members should have charge of one of the departments of the Shipping Board and should have as an assistant an analyst who can prepare and chart the records of the department that his superior controls, so that when the Board meets in session, each member will bring to the board, at all times, the actual facts surrounding his department. The salary of the analyst should be from \$7,500 to \$10,000 a year.

A skilled, executive managing operator should be selected for the fleet. There are at least 10 steamship companies in New York city that are compelled to pay their managing operators salaries around \$50,000 a year or more. A practical operating manager should be employed. The Shipping Board would then be able to take charge of the biggest piece of corporate work in America; to wit, managing approximately 1,400 ships worth \$1,500,000,000, a corporate management equal in size to that of the United States Steel Corporation.

The Shipping Board, from time to time, should prepare a list of the vessels that it has for sale and submit that list to the Emergency Fleet Corporation. This will enable it to protect trade routes while the liquidation of the fleet is going on. As the Shipping Board, from time to time, withdraws boats from trade routes, or withholds them from the liquidation corporation for sale purposes, in just so far will liquidation of the fleet be retarded and the Government's investment tied up. The Commerce Committee of the Senate and the Merchant Marine and Fisheries Committee of the House are directly concerned if a too rapid withdrawal occurs, for they are interested in the establishment of trade routes. The Finance and Appropriation Committees of the Senate and House, on the other hand, will be directly interested, by the failure on the part of the Shipping Board to wisely and promptly make deliveries of boats to the liquidating corporation. The time within and the prices at which these assets are disposed of should be ever under the watchful eye of the Finance and Appropriation Committees. Congress should compel the Shipping Board and the Emergency Fleet Corporation, by law, to make semiannual reports to it of their activities—one as of May 1, filed on June 1; and the other as of November 1, filed on December 1. Thus the responsibility for action can easily be placed by the American people either on the Shipping Board or the liquidating corporation.

EMERGENCY FLEET CORPORATION.

The Emergency Fleet Corporation should consist of seven members who are experienced business men. It should function as a liquidating corporation. It should be charged with—

(a) The sale of approximately 1,400 ships, which at present values are worth about a billion and a half dollars.

(b) The sale of surplus material—valued at about \$400,000,000.

(c) The sale of housing projects—about \$60,000,000.

(d) The sale of yards and equipment.

(e) The completion of ships still under construction and contract.

(f) The settlement of claims against the Fleet Corporation; the collection of claims in favor of the Fleet Corporation; suits for restitution and prosecution for violations.

(g) All the accounting of the Shipping Board and Emergency Corporation, except the accounting for the operation of the fleet from and after March 1, 1920—the date the present operating agency agreement was put into effect.

This will relieve the Shipping Board of the tangle of problems unrelated to ship operation that have clogged its efficiency, and permit it to function as a great managerial shipping institution.

The chairman of the liquidating corporation should receive a salary of \$18,000 a year, and the other trustees \$15,000 each. The board when completed should consist of—

A member of outstanding executive business ability, who should be chairman.

A member with sales knowledge gained in handling large units, for the sale of ships.

A member with sales knowledge of handling salvage materials—if possible secure the services of one of the salvage sales managers from one of the big railroads of the country.

A member with sales knowledge of real estate—a man who has had experience in selling homestead projects.

A member with knowledge of ship construction to assume charge of the completion of ships yet to be finished.

A member with known accounting and financial ability.

A member with commercial legal experience, gained in large affairs—to handle settlements.

Each member of this board also should have as an assistant an analyst, who can prepare and chart the records of the department which his superior controls.

A sales organization for the sale of ships should be created with an appraisal and financial bureau. Sufficient legal machinery now exists for carrying out the terms of ship sales.

A legal department should be organized for the collection of claims in favor of the Government; and a staff of 15 prosecuting attorneys should be created—men selected for their experience as public prosecutors, at a salary of \$7,500 a year—to prosecute the frauds in the several districts of the United States which have occurred in the operation of the Shipping Board and the Emergency Fleet Corporation contracts and property. They should be detailed and specialize as follows:

Two on supply companies.

Three on operating companies.

Two on ship repairs.

Two on shipyard cases.

Two on officers of ships.

One on stevedoring charges.

One on docks.

Two on brokerage and commissions.

A staff of five commercial trial lawyers should be employed for restitution cases. They should all be deputized by the Department of Justice under law, but should be appointed by, and be absolutely under the control of, the Emergency Fleet Corporation. The Department of Justice is so loaded with work created out of the war that it is impossible for effective results to be gained unless this liquidating corporation is given proper control to push its cases, by and with the consent of the Department of Justice.

Again, the Shipping Board, under law, should have full charge of the prosecution and settlement of its admiralty cases.

No other department of the Government possesses the liquidating problems—either as to the time or extent—as confront the Shipping Board and Emergency Fleet Corporation. It should be accomplished in four years if business men do the job, but if politics intervene and soft berths are found for men of either the Republican or the Democratic party, on these two boards, then a continuing loss to the taxpayer will ensue.

OFFICES FOR SHIPPING BOARD AND EMERGENCY FLEET CORPORATION.

Prior to the war the Navy Department was housed in the State, War, and Navy Building. A new building of 900,000 square feet of space was built during the war for the Navy Department. Their needs and activities in time of peace are not equal to those of the Shipping Board and Emergency Fleet Corporation. The needs of the two latter named institutions will require from 350,000 to 400,000 square feet of floor space. They should be housed within 60 days in the Navy Building. One section of the building should be set off for both, but they should be kept entirely separate and function as separate corporations. To-day the Shipping Board and Emergency Fleet Corporation have their executive offices on F Street in Washington, while the supply and sales, accounting department for ship operation and construction, and the pay-roll examiners' force are housed at Sixth and B Streets, a mile distant. This has always resulted in lack of control and confusion.

CONTROL OF FUNDS.

The Shipping Board should be given a base appropriation as a reserve fund for ship operation, if needed, when the law is changed, and if any deficit occurs, from time to time, it can be met by a new appropriation, so that the American people will know what it costs to operate its fleet.

The liquidating corporation should be required to submit to Congress:

- (a) Its budget of administration expense for the ensuing twelve months;
- (b) Its estimated cost for the completion of construction now in progress;
- (c) The estimated cost of the settlement of claims against the Government, for a period of twelve months.

It should receive an appropriation on this basis.

All funds received by the liquidating corporation should be paid into the General Treasury of the United States to the credit of miscellaneous receipts, so that Congress will have knowledge of the liquidations and thereby control the activities of the liquidating corporation.

FEDERAL REGULATION AND LICENSE BY THE SHIPPING BOARD OF COMPANIES AND PERSONS ENGAGED IN WAREHOUSING, DOCKS, STEVEDORING, SUPPLIES, SHIP REPAIRS, LIGHTERAGE, TOWING, AND BROKERAGE.

The national surplus created by the American manufacturers and labor, wheresoever located, and more especially that created by the wheat farmers of the Mississippi Valley and the cotton farmers of the South, vitally needs a clean, effective merchant marine, with American sales agents in foreign fields—and thus must that merchant marine be kept clean and effective. All the evils practically occur at the pierheads in our coast ports. The short experience of two years now points out that, as in the case of the early history of the railroads and the public utilities of this country, so there must come to shipping a stronger Federal regulation than is contained in the present law. There must come Federal regulation over the warehouses, docks, stevedore companies, supply houses, repair yards, lighterage, towing companies, and commission houses furnishing freight. The regulation must be a fair and just one. Fair valuation of asset values and services should afford fair returns to these subsidiary activities. Officers and directors of privately owned steamship companies and of Shipping Board operating companies are directly interested, in a large way, in the subsidiary shipping activities. The evils that have grown up through the destructive charges created by these subsidiary shipping activities will destroy, at its source, the maintenance of our merchant marine and the value of steamship securities. Therefore, they must be brought under the control of the Shipping Board by Federal enactment. The railroads, with 265,000 miles of transportation facilities, were cleansed with one stroke by the Clayton Act and the Interstate Commerce Act as amended. Similar legislation is immediately necessary for the protection and growth of our merchant marine. Thus, this project—national in scope and usefulness—is freed and emancipated at the pierheads, from local conditions, political and otherwise, which throttle the commerce and welfare of the Nation and exact secret tribute from the great producing interior of the Nation. For the first time, then, will we have a free and clean outlet from our shores into the seven seas, where no monopoly can exist, to face intense world competition, carrying the surplus of our products from factory, farm, and mine.

All the above subsidiary activities should be permitted to operate only on license granted by the Shipping Board. They should be compelled to keep standard or uniform books of account, such as the Interstate Commerce Commission requires of the rail-

roads open at all times to the inspection of the Shipping Board, and regulated not only as to domestic business, but also foreign business done within our borders. An expert firm of accountants should draft the different standard forms of accounting for adoption by the board. Failure to observe the rules of the Shipping Board should result in severe penalties or revocation of licenses upon due hearings being had.

The Treasury act should be amended so that the Shipping Board and the Department of Justice may have access to the Federal income tax statements—past and future—of corporations with which the Shipping Board has and does business. All business done with the Shipping Board by those engaged in subsidiary shipping activities, should be verified twice a year under oath of their president, treasurer, and general manager. These subsidiary activities have failed to operate in a wise manner, and the answer is not Government ownership or the abandonment of the effort to maintain a merchant marine, but Government regulation. The masters and all officers aboard Shipping Board boats who purchase supplies or create liabilities against the Government at home or abroad should be compelled to make oath at the time of receiving their salaries that they have not accepted rebates, bonuses, or bribes. The president, treasurer, and general manager of all the operating companies at the time of payment to them of the commissions earned for handling Shipping Board boats should be compelled to make oath that they have neither given nor received nor have knowledge of the payment, directly or indirectly, of rebates, bonuses, or bribes. Criminal statutes should be enacted striking at crimes committed against shipping within our borders.

EXCESS-PROFITS TAX.

The Jones bill provides, section 23: "That the owner of a vessel documented under the laws of the United States and operated in foreign trade shall, for each of the 10 taxable years while so operated, beginning with the first taxable year ending after the enactment of this act, be allowed as a deduction for the purpose of ascertaining his net income subject to the war-profits and excess-profits taxes imposed by Title III of the revenue act of 1918 an amount equivalent to the net earnings of such vessel during such taxable year, determined in accordance with rules and regulations to be made by the board: *Provided*, That such owner shall not be entitled to such deduction unless during such taxable year he invested, or set aside under rules and regulations to be made by the board in a trust fund for investment in the building in shipyards in the United States of new vessels of a type and kind approved by the board, an amount, to be determined by the Secretary of the Treasury and certified by him to the board, equivalent to the war-profits and excess-profits taxes that would have been payable by such owner on account of the net earnings of such vessels but for the deduction allowed under the provisions of this section: *Provided further*, That at least two-thirds of the cost of any vessel constructed under this paragraph shall be paid for out of the ordinary funds or capital of the person having such vessel constructed.

That during the period of 10 years from the enactment of this act any person a citizen of the United States who may sell a vessel documented under the laws of the United States and built prior to January 1, 1914, shall be exempt from all income taxes that would be payable upon any of the proceeds of such sale under Title I, Title II, and Title III of the revenue act of 1918, if the entire proceeds thereof shall be invested in the building of new ships in American shipyards, such ships to be documented under the laws of the United States and to be of a type approved by the board.

The Government is the biggest owner of shipping property in America, and the mandate of the people is to sell that property. Therefore, the law should provide a protection for the Government as well as one for the shipbuilding owners of this country. As the Jones bill now stands, all ship owners can keep their excess profits if they put the excess profit tax in new ships. The exemption feature of the law should be extended so that if a ship owner has purchased a Shipping Board boat and is indebted to the Government on that boat, the excess profits charged to the profits on that boat, shall be applied on the debt against the boat. As the law stands it works a manifest injustice on the Government.

CONVERSION OF ARMY PORT TERMINALS AND WAREHOUSE FACILITIES FROM ARMY PURPOSES TO SHIPPING PURPOSES.

When the Nation went to war it had a small Army and small facilities for handling the Army. It increased the Army and the Army facilities during the war. It built great terminal warehouses at the several ports of the United States, which were used to take care of the supplies to the Allies and to the 9,000,000 men which we expected eventually to put across the seas. Capital of the Nation was taken out of active

business and put into these properties to an extent of \$175,000,000—almost the cost of the Panama Canal. These huge port terminal facilities are no longer of use to the Nation for war purposes, and should be put back into active commercial life. They should be rented on a low basis to the several municipalities or States within which they are located, for shipping and commercial purposes, under regulations of the Shipping Board, thus building up commercial activities at our coast ports for foreign business.

CURTAILMENT OF SHIPPING ACTIVITIES OF THE ARMY.

When the United States built the Panama Canal it became necessary to build a railroad running parallel to the canal, which at present is being operated by the War Department. Shortly thereafter it became necessary to purchase a few boats to take care of the employees, troops, and supplies of the Government while building the canal, and to-day out of this small beginning we have a second merchant marine in operation and under the control of the War Department. An investigation should be made of the extent of the Army shipping activities, and all boats now operating and used in commercial business should be taken away from the Army and turned over to the Shipping Board. The Government has the power, in event of war, to commandeer all privately owned American ships. This small Army merchant marine, of some 25 or 30 ships, which they are now operating and increasing in size and commercial activities, is only an experiment. The operation of these boats by the Army, independent of and in competition with the Shipping Board boats, is already a menace to the shipping interests of the southern ports and the southern trade routes of the United States—the protection of which is vital to the future shipping prosperity of the South.

ADJUST CONTRACTS OF SALE OF SHIPS ALREADY MADE.

The Shipping Board has thus far sold about 185 ships, some of them of the new, large tonnage, but many of them are of the small tonnage. They are out on different terms of payment. The prices for the new tonnage range from \$225 per dead-weight ton down to \$150. A record of all the sales, with the names of the buyers, and first payment, together with the original agreement and the supplemental agreement of sale, is, as of November 1, 1920, submitted herewith. These buyers were the pioneer purchasers of Shipping Board boats, and nearly every one of those who purchased these boats is destined to be financially destroyed at an early date, and the American investment market, into which the Shipping Board must go to dispose of the balance of its 1,400 ships, has already been shot to pieces. Shipping securities are well known in England; they are owned by trust companies, farmers, widows, and general investors. Shipping securities are well-nigh unknown in America—except with a present bad character; and if the Government intends to sell its 1,400 boats it will have to courageously adjust these contracts with the pioneer purchasers. Already the Government has taken back some 61 or more of those which it sold, either by direct receipt or by way of receivership—a partial list is herewith submitted—and many of the remaining pioneer purchasers are on the verge of bankruptcy.

There is no investment market in America for shipping securities to-day because of the prices at which these ships were sold. The contracts should be taken back, whatever profit has been made by the owners should be taken by the Government, a commission for the operation of the ships should be allowed the owner for the period of operation, and the contract rewritten at the new prices when established.

War amortization belongs to the Nation. While with the Shipping Board the above was ever my position, and now is, that the pioneer purchasers of Shipping Board boats should be given every protection by the Shipping Board, so as to keep clean the ship securities market. The temporary remedy suggested to the board at that time was to extend time of payment of mortgage; extend interest; take back ships where the company had over-purchased—for I ever looked forward to the day when Congress and the Shipping Board would do what is recommended above. The toll of receiverships that has occurred since last August, set forth in the submitted list, indicates the wisdom of that policy, and points out the immediate relief now needed for the balance of the pioneer purchasers. While not a member of the Shipping Board, permit me to point out that the Board, in so far as it was empowered, endeavored to work in harmony with that suggestion. Then, too, the present policy of the Shipping Board in holding pioneer shipping companies intact by receivership, until Congress acts, is indeed wise.

ESTABLISHMENT OF SALES PRICE OF FLEET SHOULD BE IN EMERGENCY FLEET CORPORATION RATHER THAN IN CONGRESS.

The Jones bill provides that the Shipping Board boats shall be sold at reproduction prices less depreciation. This method will permit of the sale of the tankers, but of all the other 1,300 boats belonging to the Government there will be no material sale, unless the liquidating corporation, if created, has the power to place those cargo boats on the market at from \$100 to \$125 a dead-weight ton except tankers and cargo passenger boats. For, the longer they are in the hands of inefficient operators, the less valuable will become the property. It is my judgment that firmly and courageously, the power to establish the price should be placed in the liquidating corporation. It is a commercial and not a legislative proposition, and should be determined by business men selected to handle it. Congress should indicate the policy it desires in this regard, but should not destroy the power of decision in the liquidating corporation to fix the sales price. Arbitrary provisions of this sort made by Congress in the past have always defeated the wise provisions of Congress and complete paralysis as to desired relief has ensued.

SALE OF EXCESS TANKERS.

The Shipping Board on November 1, 1920, had 84 tankers in operation. 51 were in the direct Shipping Board fuel oil service; 8 in the joint Shipping Board and private fuel oil service; 12 in the Government fuel oil service; 12 in private account, and 1 unassigned. It had, in addition, 14 tankers under construction and under contract—a total of 98. At least 20 of these 84 tankers now in operation should be sold and the sale should be made of the 14 tankers under construction. There was a terrific national and international shortage of tankers from January 1 to November 1, 1920, and there still is a shortage of tankers, but there is being built, I am informed, about 900,000 tons of tankers in American yards to-day for private delivery, at prices ranging from \$180 to \$195 a dead-weight ton. Shortly there will be an excess of tankers and when that occurs, it is questionable whether the Shipping Board will be able to sell its tankers at reproductive prices. It will not be in as bad a position as it is with its cargo boats, but it will be in a comparatively little better position as to sales. Before any more private companies make further contracts for tankers in the private yards of America, the Government should sell the tankers and tanker contracts which it does not need for its own service.

SHIP OPERATING COMPANIES SHOULD BE REDUCED FROM 176 TO ABOUT 50 COMPANIES.

The Shipping Board boats are managed by about 176 operating companies located at the several ports of the United States. A great number are inefficient managers and ships should be taken away from them. In some cases there are as high as five operating companies handling one berth or trade, each of the five competing for the same business. Again, in many of the ports, the operating companies could be reduced 50 per cent by mergers—concentration is vitally needed and must be firmly made. It will materially cut the overhead expense in the field and at Washington and at the same time stop Shipping Board boats from competing with each other at a material loss to the Government.

EXECUTIVE PERSONNEL.

No form of organization or legislation can accomplish the great beneficial results, in maintaining our merchant marine, which the American people fondly hope for, without there being the proper kind and character of men to manage the Shipping Board and Emergency Fleet Corporation and translate the Jones bill into deeds of success.

The salaries which are offered in the Government service can not alone be deemed sufficient to attract men of high ability and character to that service. Yet there are outstanding American citizens, strong and successful in private enterprise—and the war proved it—who have as high and as lofty a purpose for the national welfare as the most humble citizen of the land, and who are willing to devote their time and services unselfishly to the Government.

It is unfortunate that unnecessary and unwarranted supercriticism should have driven from public service that class of men. There are many men in the noonday of their life, who have accumulated competences and much valuable commercial experience, who are willing to serve their Government. But we must grant to them in the future at least as fair and honorable motives as those who criticise. If men do

wrong in public service they should be driven from the society of decent men. Business men can not be obtained to fill important posts of large responsibility if the public permits political footballs to be made of their efforts and reputations. The Government now needs strong men to handle the Shipping Board and Emergency Fleet Corporation. It is no politician's job.

CONCLUSION.

There now stands forth, sun clear, six great outstanding facts—

First. That the responsibilities and duties of the Shipping Board are vast and comprehensive.

Second. That the responsibilities and duties of the liquidating corporation are equally as great, though different and distinct in nature and functions.

Third. That the Shipping Board should be freed so that it can function as a managerial ship operating and regulatory institution.

Fourth. That the same distinction of separate, supervisory legislation should be recognized in the control committees of the House and Senate.

Fifth. That Federal regulation must come to subsidiary shipping activities.

Sixth. That the price of the Shipping Board boats sold and to be sold must be readjusted.

With the above facts in mind, I am of the firm opinion that an American merchant marine can be maintained. For midst all the trials and tribulations that now surround our Government in shipping as a national industry, there comes to my mind the record of the pioneer spirit of our forefathers—a record of vision, hope, perseverance, and courage, which in the past has conquered and overcome every obstacle in the path of our national progress. Behind our merchant marine still stands that pioneer spirit of our people, unbroken and undismayed, relying and knowing that the brains of American industry can and will win for them in competition with the world. Then, too, I have an abiding faith in the common sense and determination of the American people, that when aroused, they will demand of our President and Congress, that our merchant marine shall be placed in the control of strong hands, made and kept clean; and that it shall be unshackled from the evils which now threaten to choke its very existence. Our people have made sacrifices in money and pride to establish a clean and effective merchant marine. They will make more sacrifices, but they will demand results.

Respectfully submitted.

MARTIN J. GILLEN.

Name of vessel.	Kind.	Dead-weight tons.
RECEIVERSHIP.		
<i>Atlantic Adriatic Steamship Co. (7 vessels).</i>		
Anialusia.....	Steel.....	7, 475
Arcadia.....	do.....	6, 915
Ascutney.....	do.....	6, 450
Blackwood.....	do.....	7, 323
Galesburg.....	do.....	7, 323
Pawnee.....	do.....	7, 200
Pequot.....	do.....	8, 900
<i>French-American Line (Inc.) (17 vessels).</i>		
Casco.....	Steel.....	7, 900
Wachusett.....	do.....	6, 160
Wabash.....	do.....	6, 775
Shoeters Island.....	do.....	7, 249
Bremerton.....	do.....	7, 379
Wisconsin Bridge.....	Steel (oil).....	5, 100
Yucca.....	Steel.....	4, 630
Democracy.....	do.....	7, 323
Ice King.....	do.....	6, 103
Mariners Harbor.....	do.....	3, 535
Rajah.....	do.....	3, 250
Tunisha.....	do.....	7, 653
Yukon.....	do.....	7, 523
Faith.....	do.....	.....
Bark Gratia.....	Steel (sail).....	.....
Bark Phyllis.....	Wood (oil).....	.....
Schooner Spindrift.....	do.....	.....

Name of vessel.	Kind.	Dead-weight tons.
<i>Green Star Steamship Corporation (5 vessels).</i>		
(Taken back new at \$165 per dead-weight ton).		
Apus.....	Seelt.....	9,500
Aquarius.....	do.....	9,500
Argus.....	do.....	9,500
Arcturus.....	do.....	9,500
Antinous.....	do.....	9,500
<i>International Maritime Corporation (5 vessels).</i>		
Lake Fatonia.....	Steel (oil).....	4,050
Lake Festus.....	do.....	4,050
Lake Fighting.....	do.....	4,050
Lake Galien.....	do.....	4,050
Eastern Maid.....	do.....	4,948
<i>Italian Star Steamship Line (1 vessel).</i>		
Liberty Land.....	Steel.....	7,825
<i>Standard Steamship Co. (4 vessels).</i>		
Eastern Star.....	Steel.....	6,699
Bannock.....	do.....	7,388
Western Ally.....	do.....	8,514
West Mead.....	do.....	8,541
<i>States Steamship Co. (8 vessels).</i>		
Balosaro.....	Wood.....	3,425
Clio.....	do.....	3,425
Fort Logan.....	do.....	3,425
Hyannia.....	do.....	3,425
Morganza.....	Composition and concrete.....	3,425
Moosabee.....	Wood.....	3,425
Oyake.....	Composition and concrete.....	3,425
Quinneseo.....	do.....	3,425
<i>American Merchant Mariners (2 vessels).</i>		
Biran.....	Steel.....	5,025
Hatteras.....	do.....	7,467
<i>Victor S. Fox & Co. (12 vessels).</i>		
Chillicothe.....	Steel (sail).....	3,500
Monongahela.....	do.....	4,150
Moshulu.....	do.....	4,950
Muscoota.....	do.....	3,750
Arapahoe.....	do.....	3,900
Tonawanda.....	do.....	2,700
Castlewood.....	Steel (coal).....	3,141
Coosa.....	do.....	2,625
Insonomia.....	do.....	6,020
Armenia.....	do.....	6,982
Jeannette Skinner.....	Steel (oil).....	8,660
Mount Shasta.....	do.....	7,242
Yellowstone (returned to board, paid to board by Fox & Co.).....	do.....	9,410

STATEMENT SHOWING NUMBER OF VESSELS SOLD UNDER VARIOUS TERMS OF PAYMENT.

UNITED STATES SHIPPING BOARD EMERGENCY FLEET CORPORATION.
 GENERAL COMPTROLLER'S DEPARTMENT,
 December 2, 1920.

From: J. H. White, chief accountant Ship Sales division.

To: General comptroller.

Subject: Statement showing number of vessels sold under various terms of payment.

1. Inclosed herewith is a statement showing the terms of payment and the vessels sold under each classification.

2. This statement includes all sales recorded in the accounts of the Ship Sales division with the exception of vessels fully paid for and requisitioned vessels reconveyed to former owners.

J. H. WHITE,
 Chief Accountant Ship Sales Division.

Summary of statement of vessels sold to Dec. 2, 1920, in which the Shipping Board retains an interest.

	Number of ves-sels.	First pay-ment.	Installments.			Number of ves-sels.	First pay-ment.	Installments.	
			Per cent.	Period covered.				Per cent.	Period covered.
Original agree-ment still in effect.....	22	.....	100	3½ years.	Original agree-ment still in effect	1	50	50	6 months.
	5	.....	100	10 years.		1	50	50	5 years.
	5	2	100	12 years.		24	(1)	.....
	23	2½	97½	Charter pur-chase.	Total.....	198	.....	.....
	1	8	92	5 years.	Supplemental agreement.....	1	5½	94½	3 years.
	5	10	90	3 years.		13	10	90	6 years.
	1	10	90	3½ years.		1	10	90	7½ years.
	1	10	90	5 years.		6	10	90	1 per cent per month.
	1	10	90	10 years.		3	10	90	12 years.
	30	10	90	12 years.		2	25	50	5 years.
	1	15	85	5½ years.		20	25	75	7½ years.
	1	20	80	3 years.		6	25	62½	7½ years.
	2	25	75	1½ years.		3	25	75	8 years.
	12	25	75	2 years.		1	25	50	8 years.
	25	25	75	3 years.		1	25	62½	8 years.
	1	25	75	4 years.		1	32	68	5 years.
	28	25	75	5 years.		1	65	35	9 months.
	4	25	75	7½ years.	Total.....	50	.....	.....
	1	30	70	3 years.					
	1	30	70	5 years.					
	1	31	69	5 years.					
	1	40	60	4 years.					

¹ Brooks Steamship Co.

² Represents percentage unpaid when supplemental agreement was signed.

UNITED STATES SHIPPING BOARD EMERGENCY FLEET CORPORATION, GENERAL COMPTROLLER'S DEPARTMENT, SHIP SALES DIVISION.

Statement of vessels sold to Dec. 2, 1920, in which the Shipping Board retains an interest, showing original terms of sale and supplemental terms.

Purchaser.	Vessel.	Ton- nage.	Delivered.	Price.	Original agreement.				Supplemental agreement.			
					First pay- ment.	Installments.			First pay- ment.	Installments.		
						Per cent.	Num- ber.	Period.		Per cent.	Num- ber.	Period.
Manuel Allande.....	Hamlin.....	5,075	Mar. 20, 1920	\$200.00	(1)	100	7	3 1/2 years.....				
American Fuel Oil & Transportation Co.....	Carabelle.....	7,825	Oct. 8, 1920	185.00	(1)	100	20	10 years.....				
Do.....	Cassimir.....	7,825	Sept. 21, 1920	185.00	(1)	100	20	do.....				
Do.....	Castana.....	7,825	Oct. 13, 1920	185.00	(1)	100	20	do.....				
Do.....	Catahoula.....	7,825	Sept. 28, 1920	185.00	(1)	100	20	do.....				
Do.....	Manakawny.....	7,825	Oct. 14, 1920	185.00	(1)	100	20	do.....				
American Merchant Marine 1.....	Bran.....	5,025	May 25, 1920	173.38	2 1/2	97 1/2		Charter purchase.....				
Do.....	Hatters.....	7,467	Apr. 26, 1920	172.58	2 1/2	97 1/2		do.....				
American Ships & Commerce Corporation.....	De Kalb.....	8,200	July 13, 1920	800,000.00	10	90	10	10 years.....				
Do.....	Kermitt.....	11,220	Mar. 6, 1920	150.00	25	75	10	5 years.....	25	75	8	8 years.
Do.....	Montpelier.....	9,675	June 17, 1920	150.00	25	75	10	do.....	25	75	8	Do.
Do.....	Monticello.....	11,365	May 8, 1920	140.00	25	75	10	do.....	25	75	8	Do.
American Star Line.....	American Star.....	7,550	Dec. 27, 1919	215.00	25	75	10	do.....	25	75	15	7 1/2 years.
Do.....	Northern Star.....	7,550	Dec. 9, 1919	215.00	25	75	10	do.....	25	75	15	Do.
Icee Luis de Ansoalega.....	Kenwood Bridge.....	5,075	Apr. 9, 1920	200.00	10	90	7	3 1/2 years.....				
Atlantic Fruit Co.....	Callabassas.....	3,695	Jan. 3, 1920	181.63 1/2	25	75	10	5 years.....				
Do.....	Glendola.....	3,700	Apr. 5, 1920	178.65	25	75	10	do.....				
Do.....	Glendole.....	3,700	July 31, 1920	174.60	25	75	10	do.....				
Do.....	Glyndon.....	3,700	Feb. 9, 1920	190.00	25	75	10	do.....				
Atlantic, Gulf & Pacific Steamship Co.....	Cape Henry.....	7,371	Oct. 6, 1920	161.58 1/2	(1)	100	24	12 years.....				
Do.....	Cape Romaine.....	7,371	Aug. 18, 1920	163.77	10	90	24	do.....				
Do.....	Liberator.....	11,713	Sept. 23, 1920	172.36	(1)	100	24	12 years.....				
Do.....	West Apaum.....	8,516	Sept. 16, 1920	163.04	(1)	100	24	do.....				
Atlantic Transport Co.....	Champion.....	11,925	Sept. 30, 1919	(3)	25	75	10	5 years.....	25	50	10	5 years.
Do.....	Defender.....	11,925	do.....	(3)	25	75	10	do.....	25	50	10	Do.
J. F. Auditors.....	Lydia.....	5,936	Sept. 26, 1919	165.00	25	75	10	do.....	25	50	10	Do.
Do.....	Redondo.....	5,900	July 26, 1919	210.00	25	75	10	do.....	25	62 1/2	15	7 1/2 years.
Do.....	Sacramento.....	7,462	Sept. 17, 1919	215.00	25	75	10	do.....	25	62 1/2	15	Do.
Baltimore & Carolina Steamship Co.....	Lake Clear.....	2,875	June 1, 1920	166.15	24	97 1/2		Charter purchase in arrears.....	25	62 1/2	15	Do.
Baltimore, Trans-Atlantic Steamship Corporation.....	Lake Ennis.....	3,525	Sept. 13, 1920	148.40	10	90	24	12 years.....				

* In hands of receiver.

* Cost.

* None.

statement of vessels sold to Dec. 2, 1920, in which the Shipping Board retains an interest, showing original terms of sale and supplemental terms—Con.

Purchaser.	Vessel.	Ton- nage.	Delivered.	Price.	Original agreement.				Supplemental agreement.		
					First pay- ment.	Per cent.	Num- ber.	Period.	First pay- ment.	Per cent.	Num- ber.
Barber Asphalt Paving Co.	Bermudez	4,000	Feb. 17, 1920	\$125,000.00	25	75	3	1½ years.			
Do.	Guano	4,000	do.	140,000.00	25	75	3	do.			
Bisso Towboat Co.	Barranca	4,229	Mar. 1, 1920	215,000.00	25	75	4	2 years.			
Buckhamnon Steamship Corporation. ¹	Buckhamnon	3,500	Nov. 6, 1920	90.00	25	75	4	do.			
Brooks Steamship Corporation.	(²)						11	5½ years.			
Build Insular Steamship Co.	Lake Greenwood	3,293	June 2, 1920	166.50	2½	97½		Charter purchase.			
Do.	Lake Monroe	3,293	June 9, 1920	166.50	2½	97½		do.			
Cahill Towing Line (Inc.)	Artisan	358	July 30, 1920	83,040.00	25	75	6	3 years.			
Do.	Woodman	358	do.	83,000.00	25	75	6	do.			
Campello Steamship Corporation. ²	Campello	3,500	Nov. 28, 1919	90.00	25	75	4	2 years.			
Clinchfield Navigation Co.	Cotopaxi	4,140	Dec. 23, 1919	375,000.00	25	75	3	3 years.			
Cuban Atlantic Transportation Co.	Bartolome	4,418	Apr. 20, 1920	225,000.00	25	75	4	2 years.			
A. D. Cummins & Co.	Cascade	7,562	Sept. 11, 1920	172,37½	10	90	24	12 years.			
Do.	Westmount	8,782	July 21, 1920	163.04	10	90	24	do.			
M. J. Dady Engineering & Construc- tion Co.	Craftsman	8,176	Aug. 2, 1920	83,000.00	25	75	6	3 years.			
W. D. Dittmar	Painter	176	Sept. 21, 1920	80,000.00	25	75	6	do.			
J. E. Deckendorff & Co.	New Britain	7,814	Sept. 12, 1919	225.00	40	60	8	4 years.			
Elder Steel Steamship Co. (Inc.)	Neponset	9,293	May 13, 1920	186.13	2½	97½		Charter purchase.	10	90	24
Farragut Steamship Co.	Lake Farragut	4,155	May 11, 1920	186.66	2½	97½		do.			
Fort Steamship Co. (Inc.)	Fort Seward	3,500	Aug. 4, 1920	60.00	8	92	10	5 years.			
Victor S. Fox Co. (Inc.) ²	Arapahoe	3,000		53.00	25	75	6	3 years.			
Georges Creek Steamship Co.	Chulicthe	3,500	Mar. 30, 1920	53.00	25	75	6	do.			
Do.	Monongahela	4,150	June 23, 1920	53.00	25	75	6	do.			
Do.	Mosula	4,960	May 13, 1920	53.00	25	75	6	do.			
Do.	Muscoota	3,760	July 10, 1920	53.00	25	75	6	do.			
Do.	Tonawanda	2,847		53.00	25	75	6	do.			
Do.	Castlewood	5,151	June 3, 1920	186.17	2½	97½		Charter purchase.	10	90	
Do.	Coosa	2,625	May 5, 1920	100.00	2½	97½		do.	10	90	
Do.	Isonomia	6,020	Apr. 28, 1920	690.000.00	2½	97½		do.	10	90	
Victor S. Fox Co. (Inc.) ²	Armenia	6,982	do.	100.00	2½	97½		do.	10	90	
Do.	Janette Skinner	5,660	Apr. 13, 1920	171.78	2½	97½		do.	10	90	
Do.	Mt. Shasta	7,282	May 30, 1920	170.24	2½	97½		do.	10	90	
France & Canada Steamship Co.	Bacabel	418	Apr. 23, 1920	225,000.00	25	75	4	2 years.			
Do.	Bosford	418	Feb. 21, 1920	225,000.00	25	75	4	do.			

Statement of vessels sold to Dec. 2, 1920, in which the Shipping Board retains an interest, showing original terms of sale and supplemental terms—Con.

Purchaser.	Vessel.	Ton- nage.	Delivered.	Price.	Original agreement.				Supplemental agreement.		
					First pay- ment.	Installments.		First pay- ment.	Installments.		Period.
						Per cent.	Num- ber.		Per cent.	Num- ber.	
Lloyd Royal Beldge	Lake Forest	2,960	Mar. 26, 1920	\$200.00	(¹)	100	7	100			3 1/2 years
Do.	Lake Huron	3,115	Mar. 16, 1920	200.00	(¹)	100	7	100			do.
Do.	Lake Michigan	2,960	Mar. 21, 1920	200.00	(¹)	100	7	100			do.
Do.	Lakeport	2,960	Apr. 1, 1920	200.00	(¹)	100	7	100			do.
Do.	Lakeside	3,115	Mar. 16, 1920	200.00	(¹)	100	7	100			do.
Do.	Lakewood	2,960	Apr. 8, 1920	200.00	(¹)	100	7	100			do.
Do.	Lake Worth	3,115	Apr. 1, 1920	200.00	(¹)	100	7	100			do.
Do.	Long Island	4,350	May 8, 1920	200.00	(¹)	100	7	100			do.
Do.	Lynchburg	3,909	May 25, 1920	200.00	(¹)	100	7	100			do.
Do.	Nanshon	5,100	June 1, 1920	200.00	(¹)	100	7	100			do.
Do.	Plaquemine	3,909	June 29, 1920	200.00	(¹)	100	7	100			do.
Do.	Shelter Islands	4,350	May 21, 1920	200.00	(¹)	100	7	100			do.
Do.	Staten Island	4,350	Aug. 3, 1920	200.00	(¹)	100	7	100			do.
Do.	A. F. Luckenbach	14,000	May 7, 1920	200.00	(¹)	100	7	100			do.
Do.	Harry Luckenbach	12,130	June 26, 1919	(²)	30	70	10	5 years			do.
Do.	Lewis Luckenbach	14,000	May 24, 1920	305.26	25	75	10	do.			do.
Do.	Lewis Luckenbach	14,000	May 15, 1919	(²)	30	70	6	3 years			do.
Madrigal & Co.	Nipsc.	2,500	Mar. 16, 1920	95.00	25	75	6	do.			do.
Maryland Transportation Co.	Porter	176	Aug. 12, 1920	80,000.00	25	75	6	do.			do.
Moore & McCormack	Delco.	5,100	Oct. 8, 1919	210.00	25	75	10	5 years			do.
Do.	Honolulu	8,378	Jan. 26, 1920	975,000.00	25	75	10	do.			do.
Do.	Lake Charles	2,875	Aug. 21, 1920	148.40	10	90	24	12 years			do.
Do.	Lake Ogden	2,875	Sept. 8, 1920	147.73	10	90	24	do.			do.
Do.	Commercial Pride	8,112	May 25, 1920	1,206,000.00	25	75	10	5 years			do.
Do.	Osage	7,220	Feb. 14, 1920	125.00	25	75	10	do.			do.
Moran Towing & Transportation Co.	Retriever	176	July 1, 1920	80,000.00	10	90	9	3 years			do.
Do.	Staten	176	Sept. 21, 1920	80,000.00	25	75	6	do.			do.
Do.	Terrier	176	July 1, 1920	80,000.00	10	90	9	do.			do.
Munsen S. S. Lines	Tunisia	3,700	Mar. 29, 1920	185.00	25	75	10	5 years			do.
National Oil Co.	Badcock	428	May 14, 1920	205,000.00	25	75	4	2 years			do.
Do.	Barwick	418	Jan. 16, 1920	240,000.00	25	75	4	do.			do.
Do.	Bayport	418	July 17, 1920	205,000.00	25	75	4	do.			do.
North Atlantic & Western S. S. Corporation.	Brush	7,825	Oct. 30, 1920	185.00	10	90	24	12 years			do.

	4, 185	June 8, 1920	157.25	10	90	24	.....do.....	(¹)	(²)	(³)	(⁴)
Lake George.	2,875	May 11, 1920	167.85	25	75	10	5 years				
Lake Harney	2,875	Apr. 14, 1920	165.15	25	75	10	do				
Lake Jessup	2,875	do	165.15	25	75	10	do				
Lake Lillian.	2,875	May 18, 1920	161.62	25	75	10	do				
Lake Otisco.	2,875	May 27, 1920	163.80	25	75	10	do				
Lake Tulare.	7,469	Nov. 22, 1919	215.00	25	75	10	do				
Orient.	7,455	Aug. 27, 1919	215.00	25	75	10	do				
Orinoco.	9,600	Aug. 26, 1919	220.00	20	80	3	3 years				
Oreals.	4,000	Mar. 1, 1920	200.00	20	80	10	5 years				
Marshall.	12,775	Nov. 19, 1918	(¹)	31	69	10	do				
W. L. Doherty III.	9,950	do	(²)	31	69	10	do				
Wilhelm Jensen.	10,330	Mar. 25, 1920	(³)	31	69	10	do				
W. L. Steed.	9,950	do	132.00	10	90	24	12 years				
Caribaldi.	4,535	May 21, 1920	215.00	24	94		Charter purchase.	10	90	24	12 years.
Capitol.	7,825	May 2, 1920	215.00	24	94		do	10	90	24	Do.
Coltraps.	7,825	Apr. 19, 1920	215.00	24	94		do	10	90	24	Do.
Connac.	7,825	Apr. 14, 1920	215.00	24	94		do	10	90	24	Do.
Connac Peak	7,825	Apr. 26, 1920	215.00	24	94		do	10	90	24	Do.
Liberty Bell.	7,825	Apr. 3, 1920	215.00	24	94		do	10	90	24	Do.
Schroon.	7,825	Mar. 3, 1920	204.25	24	94		do	10	90	24	Do.
Krakow.	5,932	Jan. 26, 1920	147.50	25	75	10	5 years	25	75	15	7 1/2 years.
Kosainszko.	7,371	Nov. 4, 1919	215.00	25	75	10	do	25	75	15	Do.
Ida.	7,240	July 19, 1920	975,000.00	25	75	10	do	25	75	15	7 1/2 years, S. F.
Poznan.	1,250	Feb. 27, 1920	170.00	25	75	10	do	25	75	15	7 1/2 years.
Warsaw.	9,105	Jan. 24, 1920	147.50	25	75	10	do	25	75	15	Do.
Republie Navigation Co.	3,535	Sept. 14, 1920	157,575.00	(¹)	100	24	12 years				
Breg Harbor.	3,535	Aug. 13, 1920	160,875.00	(¹)	100	24	do				
Everglades.	4,250	July 28, 1920	160,156.75	(¹)	100	24	do				
Plaikid.	3,535	Sept. 17, 1920	162,525.00	(¹)	100	24	do				
York Harbor.	3,535	Sept. 17, 1920	82,000.00	15	85	11	5 1/2 years				
Gardman.	8,900	July 12, 1920	1,800,000.00	25	75	10	5 years	25	62 1/2	16	8 years.
T. A. Scott Co.	8,900	July 12, 1920	1,816,000.00	25	75	10	do	25	50	16	Do.
Shawmut Steamship Co.	8,900	Apr. 17, 1919	27,000.00	50	50	1	6 months.				
Smith & Terry (Inc).	8,900	June 9, 1920	27,000.00	(¹)	100	7	3 1/2 years				
Societa Anonima Di Navigazione Adriatica.	4,165	June 24, 1920									
Southern Transportation Co.	3,500	Mar. 4, 1920	82,000.00	25	75	4	2 years				
Chernango	3,500	Apr. 13, 1920	82,000.00	25	75	4	do				
Silvanco	7,388	May 29, 1920	175.00	10	90	24	12 years				
Bannock	6,999	Apr. 4, 1920	185.00	25	75	10	5 years	10	90	24	12 years S. F.
Eastern Star	8,514	June 18, 1920	170,625.00	10	90	24	12 years				
Western Ally	8,514	Oct. 18, 1920	165,375.00	10	90	24	do				
Westread.	3,425	Mar. 27, 1920	50.00				Charter purchase.	10	90	8	6 years.
Balsore.	3,425	Mar. 27, 1920	50.00				do	10	90	8	Do.
Clio.	3,425	May 6, 1920	50.00				do	10	90	8	Do.
Fort Logan.	3,425	May 6, 1920	50.00				do	10	90	8	Do.
Hvannis.	3,425	May 6, 1920	50.00				do	10	90	8	Do.
Moosabee.	3,425	May 6, 1920	50.00				do	10	90	8	Do.
Moranza.	3,425	Feb. 17, 1920	50.00				do	10	90	8	Do.
Oyaka.	3,425	Dec. 18, 1919	50.00				do	10	90	8	Do.
Quinneseo.	3,425	Mar. 29, 1920	50.00				do	10	90	8	Do.

1 None.

* Cost.

* In the hands of receiver.

* Canceled.

1 None.

2 In the hands of receiver.

Cost.

9 Canceled.

Statement of vessels sold to Dec. 2, 1920, in which the Shipping Board retains an interest, showing original terms of sale and supplemental terms—Con.

Purchaser.	Vessel.	Ton- nage.	Delivered.	Price.	Original agreement.				Supplemental agreement.		
					First pay- ment.	Installments.		First pay- ment.	Installments.		
						Per cent.	Num- ber.		Period.	Per cent.	Num- ber.	Period.
Buderman & Young.....	Messenger.....	173	May 27, 1920	\$75,000.00	25	75	6	3 years.....			
Do.....	Propeller.....	176	May 30, 1920	75,000.00	25	75	6	do.....			
Swayne & Hoyt (Inc.).....	Iris.....	3,500	Aug. 3, 1920	96,100.00	30	70	3	do.....			
Texas Co.....	Aryan.....	9,500	Jan. 1, 1920	()	25	75	8	7½ years.....			
Do.....	Drigo.....	9,500	do.....	()	25	75	8	do.....			
Do.....	Lightburne.....	9,500	do.....	()	25	75	8	do.....			
Do.....	Shenadoah.....	9,500	do.....	()	25	75	8	do.....			
Tracy Towing Line (Inc.).....	Helen L. Tracy.....	178	Aug. 14, 1920	80,000.00	25	75	6	3 years.....			
Do.....	Thomas Tracy.....	176	Aug. 13, 1920	80,000.00	25	75	6	do.....			
Tropical Fruit Co.....	Yuma.....	2,500	Apr. 14, 1920	110.00	25	75	10	5 years.....			
Virginia S. B. Corporation.....	Betsey Bell.....	9,400	Jan. 6, 1920	225.00	25	75	10	do.....			
Do.....	E. A. Morse.....	9,400	Jan. 7, 1920	225.00	25	75	10	do.....			
Do.....	Gurston Hall.....	9,400	Aug. 21, 1919	225.00	25	75	10	do.....			
Do.....	H. F. Morse.....	9,400	Oct. 23, 1919	225.00	25	75	10	do.....			
Do.....	Varada.....	9,400	Sept. 16, 1919	225.00	25	75	10	do.....			
Williams Steamship Co.....	Calacet.....	10,375	June 29, 1920	185.00	10	90	24	12 years.....			
Do.....	Conshohocken.....	10,375	May 28, 1920	185.00	10	90	24	do.....	25		
Do.....	Richmond Boro.....	7,787	Sept. 2, 1919	215.00	25	75	10	5 years.....	25		
Do.....	Willpolo.....	7,814	Sept. 25, 1919	215.00	25	75	10	do.....	25		
Wood Towing Corporation.....	Fort Howard.....	176	Sept. 15, 1920	85,000.00	25	75	6	3 years.....			
Do.....	Vanguard.....	176	May 28, 1920	80,000.00	25	75	6	do.....			
Wyman Steamship Corporation 2.....	Andalusia.....	7,475	Sept. 30, 1920	110.00	24	97½		Charter purchase.....	10	90	12
Do.....	Arctadia.....	6,915	Aug. 25, 1920	110.00	24	97½		do.....	10	90	12
Do.....	Ascutey.....	6,450	July 31, 1920	125.00	24	97½		do.....	10	90	12
Do.....	Englewood.....	7,323	June 16, 1920	181.90	24	97½		do. 4.....			
Do.....	Galesburg.....	7,323	June 3, 1920	181.90	24	97½		do.....			
Do.....	Pawnee.....	7,200	Aug. 30, 1920	124.00	24	97½		do.....			
Do.....	Pequot.....	8,900	Mar. 20, 1920	150.00	24	97½		do.....			
Richmond, New York Steamship Co.....	Lake Sterling.....	3,930	Aug. 11, 1920	150.40	10	90	24	12 years.....	10	90	12
Do.....	Lake Sterling.....	2,875	Sept. 4, 1920	147.73½	10	90	24	do.....	10	90	12
Atlantic Gulf & Pacific Steamship Co.....	Absaroka.....	8,521	.....	158.66½	10	90	24	do.....			
Do.....	Cape May.....	10,325	.....	164.50	10	90	24	do.....			
Do.....	Radnor.....	11,572	.....	170.05	10	90	24	do.....			
Do.....	West Carnifax.....	8,555	.....	175.75	10	90	24	do.....			
Do.....	West Haven.....	8,619	.....	166.19	10	90	24	do.....			
Do.....	Eastern Maid.....	5,000	.....	160.00	10	90	24	do.....			
International Maritime Corporation.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

[illegible]

TESTIMONY OF MR. WILLIAM DENMAN—Resumed.

The CHAIRMAN. Mr. Denman, you may proceed if you have left unsaid something you had in mind.

Mr. DENMAN. Now, Mr. Chairman, I desire to offer a statement on the matter of Diesels, which I can be examined upon, as Mr. Gillen is to be. The reason I ask to have it placed in the record is because I have drawn together in one place the matters that are scattered throughout my testimony, and so that anybody looking over my policy on Diesels, or what I recommend as the future policy of the Shipping Board, may find it in compact form.

The CHAIRMAN. Does it contain anything that you have not already said?

Mr. DENMAN. It contains certain matters which I have already stated, on which you can examine me, but I wish to bring it together, as Mr. Gillen has brought his testimony together, in a compact statement. It is not very long.

The CHAIRMAN. Perhaps if you will read it, it will put it in shape before the committee so that the members of the committee can examine you on it if they so desire.

Mr. DENMAN. All right. The purpose of my appearance before this committee is to urge the revival of my project as chairman of the Shipping Board to build a large fleet of Diesel motor ships.

The rejection was the climax in the tragedy of misfortunes of the Hurley administration. Despite its notable accomplishments, he has unconsciously contributed more to the success of our Scandinavian and British competitors on the sea than the most ardent of our few Anglo-un-American administration during the war.

When I put the word "emergency" into the title of the Fleet Corporation, it was to indicate the war emergency which compelled us to build so many oil-fuel steam engines, as well as our wooden hulls.

The obsolete character of the wooden hull required no explanation. The wasteful use of oil under the steam boilers, consuming nearly three times the fuel of the many existing motorships of the Danish East Asiatic and other fleets, was well known. For years these large motorships had sailed under my windows over the Golden Gate. Admiral Lord Fisher had already pointed out the approaching obsolescence of the marine steam engine.

When I became chairman of the Shipping Board, the East Asiatic Co. and other Scandinavian owners, in scores of voyages, some over a year in length and all around the world, had established the paramount commercial value of the Diesel motorship. It was then beyond either practical or scientific question or doubt.

I hand the committee the photograph of 21 of these vessels, all then in successful commercial use, some for years before that time. They range from 6,500 to 10,000 tons carrying capacity at over 10 knots speed, and some are over 11 knots speed. There were many more besides these of the design of these engines and of other designs.

The project for building them, the necessary license, the plant, the Cramps shipyard and the skilled workmen were all procured under my administration. There were many other Diesel plants available for their construction, a list of which I put in the record

on yesterday. A contract was offered us, and we were debating whether we would commandeer and make it a national project or accept the contract. It was my administration's contribution to the commercial future of the American mercantile marine. It would have taken no more time for the Cramps to complete the Diesel plant than to establish any one of the new plants for steam engines. The contract was for 9,600 deadweight tonners at 11.6 knots speed.

During the war Great Britain, which had many Diesel plants, some making marine and some making other engines, was compelled to turn to the building of submarine Diesels. The submarine Diesel is a more complicated and finer mechanism than these commercial marine Diesels, but vast quantities were turned out in the British yards, in those Diesel factories in Great Britain, during the activities of the war, and while we were building none with the Government money. Lord Pirrie's plant, the Harlan & Wolff yard, was using the same license that I procured, and actually constructed the largest commercial marine Diesel ship at any time built. This was in war time. This ship was the Glenapp, a marine Diesel cargo and passenger ship of upward of 15,000 tons dead-weight capacity and of more than 14 knots speed.

At the present rate of consumption it has been estimated by geologists and practical oil men that the American oil supply will be consumed inside 25 years. This is the occasion of Secretary Colby's note to the British on their mandate over the Mesopotamian oil fields. Can we waste two-thirds of our fuel oil, through steam boiler tubes and up the smokestack, in view of this world oil condition?

George Otis Smith, Director, United States Geological Survey, on November 17, 1920, at a meeting of the American Petroleum Institute, said:

In acknowledging the superior claim of the marine use of fuel oil, this priority must be qualified by the condition that even on the seas the best use should be made of the invaluable fuel. The marine steam-engine, even of the turbine type, must give place to the heavy oil engine, under the rule of getting the most out of a limited resource. The very facts that support the argument for the marine use of fuel oil, greater efficiency and economy of space and labor, can be cited in favor of the internal-combustion engine of the Diesel type as against the steam engine. The increased thermal efficiency of the new engine with its resulting addition to available cargo space or to cruising radius, is more than 2½ times that of the steam engine. The experience of the Bethlehem Steel Co. is that their new oil-engine ore carrier, the "Cubore," is continuous service between Cuba and Sparrows Point, Md., uses only 36.7 per cent of the fuel-oil consumed by a sister ship differing only in that it has the most modern type of steam plant. The tremendous economy thus possible in the marine consumption of fuel oil demands the immediate adoption of internal-combustion engines if the world wants to make the largest use of its oil resources for the longest time.

Our wasteful steamships, built for the war emergency, are hopeless in competition with these Diesel vessels. Motor ships carry no boilers or condensers, and but one-third the fuel. As a consequence they have over 12 per cent more cargo capacity. This in itself means a handsome profit in ship operation.

Over 60 per cent of the new cargo vessels ordered in Great Britain during the last six months are motor ships. Norway, Denmark, Sweden, and Holland build nothing else when they can get engines. Lloyd's agents are now inspecting the construction of 300 sets of oil engines. These aggregate 600,000 horsepower, which, in terms of 11-knot cargo ships, is a million and a half tons. The largest is a

British passenger and cargo ship of 15,760 tons dead weight and 14 knots speed. Six are of 14,000 tons dead weight and over.

This is active construction in Great Britain. The orders double this. There are 15 marine Diesel engine factories in Great Britain alone. Lord Pierrie controls four of them, three in Scotland and one in Ireland, using the same license we procured for the board's program in 1917. There are many more in Holland, Denmark, Sweden, and Norway. They are just beginning to operate plants for large size Diesels in this country. In all the billions the Government has spent, not a dollar has gone to build a Diesel engine large enough for a 10,000-ton freighter.

Our wasteful steam engines are dependent on British bunkers. We can not carry enough fuel to pay the loss up the smokestack and complete our long voyages. We must stop and beg fuel supply at the British and other bunkering stations on the China coast, in Japan, in the East Indies, at Suez, at Aden, in the Mediterranean, and in the South Atlantic

How the British coerced our commerce by bunkering agreements before we entered the war, is now history. I am not seeking to attack it as a war necessity. The important thing is, they can do it again.

The sailing radius of a 10,000-ton Diesel ship is 28,000 miles on the oil in her ballast tanks. This is once around the world, past all the British and other bunkering stations, and "then some," as shipping men put it.

The United States can balance its fleet only by adding, or converting from steam, at least a million tons of motor ships. We should stimulate the building of Diesel factories and produce more than our British and Scandinavian competitors. If we do not, we have lost the battle for maritime supremacy, and will not have even a fair minor share in the world's sea carriage.

I have here a statement giving a partial list of Diesel-driven merchant motor ships at present building in Great Britain, which I will ask to have copied into the record. Only about one-third, I think, of the yards, or half of the yards, are shown here. The others have not reported out. But this list totals 65 ships of 583,600 dead-weight tons, and 227,800 indicated horsepower. I have a summary at the foot of this statement showing the fuel saving on this fleet. I won't repeat that. This is only a partial list. It contains nothing concerning the other yards enumerated in a paragraph at the bottom of the list, and nothing about the tremendous activity in Norway, Sweden, France, Italy, Denmark, and Holland, where, under various patents and various designs, large cargo and passenger-carrying ships of this type are being built.

(The statement referred to is here printed in full in the record, as follows:)

Partial list of Diesel-driven merchant motor ships at present building in Great Britain, Dec. 1, 1920.

Sister motor ships on order	Dead-weight tonnage per ship.	Horse-power (indicated).	Name of shipbuilder.	Name of engine constructor.	Name of shipowner.
4	14,000	6,600	Harland & Wolff, Glasgow.	Harland & Wolff, Glasgow.	Glen Line, London.
6	3,200	3,200	do.	do.	do.
1	14,000	6,600	Barclay, Curle & Co., Glasgow.	do.	Elder Dempster Line, Liverpool.
6	4,000	4,000	McMillan Shipyard, Dumbarton.	do.	Lampert & Holt, London.
3	9,190	3,200	Harland & Wolff, Glasgow.	do.	Pacific Steam Navigation Co., Liverpool and London.
3	11,500	4,500	do.	do.	do.
3	2,000	4,500	Mercantile Dry Docks Co., England.	Vickers-Peters (Ltd.), Ipswich.	Arthur Tate & Co., Newcastle-on-Tyne.
1	10,500	4,000	Wm. Doxford & Sons, Sunderland.	Wm. Doxford & Sons, Sunderland.	B. & J. Sutherland & Co., Newcastle-on-Tyne.
3	10,500	4,000	do.	do.	Transatlantic Steamship Co., Götterburg.
1	4,000	1,350	Cammell-Laird & Co., Birkenhead.	Cammell-Laird & Co., Birkenhead.	Anchor-Brocklebank Line, Liverpool.
1	3,500	2,750	Wm. Hamilton & Co., Port Glasgow.	do.	do.
2	10,500	3,250	Vickers (Ltd.), Barrow-in-Furness.	Vickers (Ltd.), Barrow-in-Furness.	Anglo-American Petroleum Co., London.
4	10,500	3,250	do.	do.	Tankers (Ltd.), London.
2	10,500	3,250	do.	do.	Unmanned owners in England. Probably Tankers (Ltd.).
2	10,500	3,200	Harland & Wolff, Belfast.	Harland & Wolff, Glasgow.	Bibby Line, Liverpool.
1	10,500	3,200	do.	Burneister & Wain, Copenhagen.	Alfred Holt & Co. (Ocean S. S. Line), Liverpool.
1	10,500	4,000	Alexander Stephen & Sons, Linthouse, Glasgow.	Stephen-Sulzer.	British Steam Nav. Co., London.
2	10,500	4,000	Barclay, Curle & Co., Glasgow.	do.	do.
1	10,670	4,800	Robert Duncan & Co., Glasgow.	do.	do.
1	15,750	4,800	Wm. Denny & Sons, Dumbarton.	do.	Union Steamship Co. of N. Z., Liverpool.
2	1,200	600	Chas. Hill & Co., Bristol.	do.	do.
1	1,200	600	Wm. Denny & Sons, Dumbarton.	do.	British Steam Nav. Co., London.
3	8,000	4,500	Worham, Clark & Co., Belfast.	Harland & Wolff, Glasgow.	Royal Mail Steam Packet Co., London.
2	5,000	1,750	Swain, Hunter & Wigham Richardson, Newcastle-on-Tyne.	North British Diesel Engine Co., Glasgow.	Lane & McAndrew, London.
1	10,000	3,000	Swain, Hunter & Wigham Richardson, Newcastle-on-Tyne.	do.	Owners unknown (England).
1	6,500	4,250	Sir Wm. Armstrong Whitworth & Co., Newcastle-on-Tyne.	Whitworth-Sulzer, Newcastle-on-Tyne.	Spanish owners.
2	7,000	3,000	Ardesian Shipbuilding & Dry Dock Co., Ardrossan.	Haythorne Leslie-Workshop, Newcastle-on-Tyne.	Danish owners.
3	9,000	4,500	do.	Burneister & Wain, Copenhagen.	do.
1	10,000	3,250	Wm. Denny & Sons, Dumbarton.	Denny-Sulzer, Dumbarton.	British Tankers (Ltd.), London.
2	3,000	1,000	Wm. Beardmore & Sons, Dalmuir.	Beardmore-Tosi, Glasgow.	McAndrews (Ltd.), London.
65	583,600	227,800			

No information is available regarding Diesel engines and motor ships building by John Brown & Co., Clydebank; North Eastern Marine Engineering Co., Newcastle-on-Tyne; David Rowan & Co., Glasgow; Dunsuir & Jackson (Ltd.); Fairfield Shipbuilding & Engineering Co., Govan; Glasgow; Clyde Shipbuilding & Engineering Co., Glasgow; Palmers Shipbuilding Co., Jarrow, England; and John Samuel White & Co., Cowes; including some motor ships for the Cunard Line. In addition to the above the Anglo-Saxon Petroleum Co. of London (Royal Dutch Shell), have taken over about one dozen motor tankers from the British Admiralty since the armistice, including a Diesel vessel of 10,200 tons d. w. c., namely, the "Marlinia," ex "Santa Margherita."

Attention is drawn to the fact that the above fleet of 65 British motor ships will together only use a total of 735 tons of oil fuel per 24-hour day, compared with 2,165 tons per 24-hour day by 65 American oil-fired steamers of similar aggregate dead-weight tonnage and power—or a daily saving of 1,430 tons of valuable oil.

Furthermore, these British motor ships will be able to carry in aggregate at least 60,000 more tons per one-way voyage than the same number of American oil-fired steamers of the same dimensions and power, and a total of 400 to 500 firemen are entirely dispensed with.

This forcibly demonstrates the enormous economies effected by the use of motor ships.

The CHAIRMAN. Well, Mr. Denman, I understood from your statement made on yesterday that there are a number of factories which are equipped in this country to build large Diesel engines at the present time.

Mr. DENMAN. There are now building, just commencing to build, Diesel engines of large marine type.

The CHAIRMAN. For whom?

Mr. DENMAN. Private account.

The CHAIRMAN. Are there shipbuilding concerns that are building motorships of large tonnage in this country at the present time?

Mr. DENMAN. The Cramps have just begun building for the American-Hawaiian Steamship Line—that great fleet of vessels that used to steam from San Francisco to Atlantic ports through the canal and carried our bulk products by that route—they have just ordered two of the same type that I desired to have the board adopt.

Mr. Schwab did not have this license; the Cramps had it. Mr. Schwab set about to develop a Diesel of his own, of an entirely different type, what is known as the two-cycle type, and had one vessel running with the new type of Diesel in it, the *Cubore*, the vessel to which George Otis Smith, Director of the United States Geological Survey, referred in the statement I read.

And there are a number of other plants in the United States capable of undertaking the conversion or the building of engines for new Diesel vessels. The trouble about doing the thing on private account is this: Nobody knows to what point the Government is going to write down its steam fleet. Nobody knows what the policy of the Government is going to be with regard to a merchant marine. Capital is hesitating to invest, fearing that a weak-handed policy may make any ships unprofitable, and also fearing that when the Government writes down the values of its present fleet and begins to sell some of them at scrap prices, that the value of steamships will be utterly uncalculable, and therefore that ventures at this time are unwise. The Government has got to at once, if we are going to have a balanced fleet of vessels, arrange for something like the same amount of Diesel tonnage that our competitors have.

The CHAIRMAN. We have 1,400 ships, a large portion of which at the present are tied up. Would you advocate the Government, through the Emergency Fleet Corporation, building more ships with Diesel engines in them?

Mr. DENMAN. I think so, because you will not have any Diesels tied up. When the last steamship is tied up because it can not run on the sea your Diesels will be running at a profit; and if it is a question of maintaining our supremacy on the seas and getting our share of the commerce of the world, we should have these ships. It may be the Government can't afford it. It may be that it does not want to go ahead but will leave it to private capital.

The CHAIRMAN. My question is, Would you advocate the Government, through the Emergency Fleet Corporation, building more ships, when it already has a large fleet of steam vessels, to the number of some 1,400, a large portion of which are tied up?

Mr. DENMAN. I have my doubts whether I want the Government to act through the Shipping Board in any project. I want to see centralized control and not board operation in the matter of building ships. But I would say, in answer to your question, that if they can

not be gotten through any other agency of the Government, that the Government should balance its fleet. If it is the intention to go ahead and manage the fleet that it has, it is foolish to go into competition with our opponents and not have the weapons for the contest.

The CHAIRMAN. Mr. Denman, these facts that you have brought out here have been pretty well known in shipping circles for months, have they not?

Mr. DENMAN. Yes, Mr. Chairman.

The CHAIRMAN. How do you explain the fact that no American concern has undertaken, with the possible exception of the American-Hawaiian Steamship Co., to have constructed Diesel motorships?

Mr. DENMAN. In the first place, private capital has been loath to enter into the shipping business in competition with the Government. It does not know where it is going to land. Very few new ships have been purchased, but the fact is that there is strong inquiry as to where they can be built and a strong demand for Diesel motorships. The Government of Norway took three 20-year-old hulls and equipped them with Diesels of this type that Lord Pierrie is using, in the Harlan and Wolff yards. As I have said, the hulls are 20 years old, and the Diesels were Burmeister and Wain Diesels, and those vessels were sold to New York owners six months ago at \$240 a dead-weight ton—even though the hulls were, as I have said 20 years old—as against \$175 to \$180 a ton for new steel turbine steamships. You can therefore see what the demand is for them if they can get them.

The CHAIRMAN. But if there is such a great advantage in this type of ship, if they will be carrying freight when the last steam-propelled vessel is tied up, why should private operators or steamship companies hesitate on account of the United States Government's fleet about constructing these ships and going ahead and operating them?

Mr. DENMAN. Because, first, there is general hesitation about expanding in the steamship business with the Government's policy unsettled. Second, inability to get the engines if they wanted them for quick delivery, with uncertainty as to future forces on the sea. Now, if we had had built in 1917 a large group of these Diesel factories, then these Americans could have gone to them and gotten their engines and the Government would not now be faced by the problem of a semiobsolete type of vessel, and bantering the question as to whether private or Government ownership should operate them.

The CHAIRMAN. You had procured a license from one of the largest construction concerns in America?

Mr. DENMAN. The Cramps had that.

The CHAIRMAN. Early in your administration?

Mr. DENMAN. Yes, sir.

The CHAIRMAN. I assume they now retain that license.

Mr. DENMAN. They are building ships for the American-Hawaiian line.

The CHAIRMAN. They still retain that license, do they not?

Mr. DENMAN. Yes, sir.

The CHAIRMAN. And they have had it all that time?

Mr. DENMAN. Yes, sir.

The CHAIRMAN. And they were in a position to go ahead and build some engines for private account if they wanted them?

Mr. DENMAN. Not during the war. They have been loaded up with contracts from the Government for steam vessels.

The CHAIRMAN. They have been engaged in other work or could have been, since the cancellation of contracts in March, 1919?

Mr. DENMAN. No; they had been building a Diesel plant. I do not know when they began, but they are building it now.

The CHAIRMAN. They are building it now?

Mr. DENMAN. Yes, sir.

The CHAIRMAN. How long will it take to construct a Diesel plant?

Mr. DENMAN. They had a Diesel plant at the time, 1917, for the purpose of this project—

The CHAIRMAN (interposing). Sufficient to build those 24 engines you referred to; some 20 or 24, I believe?

Mr. DENMAN. Yes, sir.

The CHAIRMAN. They have had that all along?

Mr. DENMAN. No; they acquired it for that purpose. They went over to other business. As a matter of fact what happened during the war was that these Diesel plants built steam engines. If you talk about converting steam plants to Diesel engine plants, the Diesel plants built steam engines, and of all the topsy turvies I have ever heard of that was the most extraordinary.

The CHAIRMAN. Did you ever bring this to the attention of Mr. Schwab when he was acting as Mr. Hurley's assistant?

Mr. DENMAN. No, I did not. I assumed that the recommendations as to type came from the operating end.

The CHAIRMAN. Well now, have you any knowledge, Mr. Denman, as to whether or not the Fleet Corporation or the Shipping Board did actually have constructed some Diesel engines which, upon a try out, proved to be failures?

Mr. DENMAN. I do not know whether they proved to be failures or not, Mr. Chairman. But they were not of the type of the Danish East Asiatic Fleet and those that these other great fleets were using. They were smaller than were necessary for a 10,000-ton type of ship, which is about the cargo-carrying unit.

The CHAIRMAN. You let contracts for a great many ships of less tonnage than that?

Mr. DENMAN. Oh, yes.

The CHAIRMAN. And could not Diesel engines have been put in smaller types as well as in 10,000-ton ships?

Mr. DENMAN. Yes, sir; and be very valuable in certain services.

The CHAIRMAN. Do you know whether or not they actually did have Diesel engines for smaller ships which, upon try out, were pronounced to be failures?

Mr. DENMAN. I do not know whether they were pronounced to be failures or not. I understand that those small engines that were ordered by the Shipping Board, of a type that at that time was not developed, and not such as the Burmeister and Wain and the Werks-poor type, were not completed for the Shipping Board, and I am told were completed for other persons and successfully completed and that the vessels had good engines.

The CHAIRMAN. They have what?

Mr. DENMAN. That the engines are good engines.

The CHAIRMAN. If I get your recommendation correctly as read from your statement which you made, it is that the Government should either go into the building of motor-propelled ships or assist private concerns in having a fleet of motorships built and developed.

Mr. DENMAN. That is, if the Government is going to adopt a vigorous policy for the purpose of entering into overseas competition. If it is going to have a lax hand, if we are going to drift along as we did, controlled by British and German propaganda, for years in this country, affecting every ship measure that we desired to have put through by the Congress; if the policy is going to be to drift along, then I answer "no." But if we are going to get into the game and drive it through, "yes."

The CHAIRMAN. In event that the Government is going to pursue a vigorous policy in behalf of the merchant marine, what is to become of this fleet of steam vessels; that is, if we are going to embark in constructing a motor-ship fleet or going to assist in the development of a motor-ship fleet?

Mr. DENMAN. Exactly what will become of the steam vessels of our opponents. The vast mass of fleets of the world are steam. They are gradually introducing the motor ship as the modern type of propulsion. We want to keep pace with them. These vessels will be used, gradually becoming obsolescent, and will go on the cheaper runs and the shorter runs, where saving of fuel does not mean so much. We must keep pace at least with our competitors in the type of ship that they are using. We are more in need of it than they are, because, as I have said, we are a high-wage country, and the Diesel engine cuts out a certain number of operators in the engine room. We are a bulk-carrying country, and we want space and large space on our ships. We are an oil-producing country and have the oil for ships. We are a long-voyage country, across the Pacific and the Atlantic, and in the long-voyage savings are the savings in fuel consumption and larger cargo space.

The CHAIRMAN. Isn't it a fact that practically all of the commerce brought to our ports today in competition with our own fleet arrives in steam-propelled vessels?

Mr. DENMAN. That is quite true, because the bulk of the fleets of the world are still of steam, but the fact is——

The CHAIRMAN (interposing). There are 21 of these vessels floating around somewhere.

Mr. DENMAN. Oh, there are over a hundred of them.

The CHAIRMAN. How is it that none of them get to the United States?

Mr. DENMAN. Why, Mr. Chairman, I thought I described on yesterday the voyages those vessels take. They are sailing in and out under my window over the Golden Gate constantly, and unless California is out of the United States they are coming to a port in this country and carrying cargoes to and from that port. The fact is that the Pacific coast is so far from you in the East that the Pacific coast conditions are not known to our Atlantic coast men, just as I wanted somebody on the Atlantic coast to be the chairman of the Shipping Board for the reason that I did not feel I was acquainted with the Atlantic coast conditions. The United Fruit Co. has been using Diesels; the Atlantic Transport Co. is using them; the Hamburg-American line has been using them. The Hamburg-American line, at the time the war came on, had orders out for a very large fleet of them, of the Buremister and Wain type. They are also experimenting with another type of them in Germany.

The CHAIRMAN. Do you know whether or not experiments are in process in this country for the development of an American type of this Diesel engine?

Mr. DENMAN. That is the same sort of thing we had in the matter of the Liberty motor. Of course we want to improve it.

The CHAIRMAN. I asked you whether or not you know that is going on.

Mr. DENMAN. Well, I can tell you something about that. About a year ago it was announced that we were going into some experiments on what was known as the Deisel electric drive. Now, the electric drive has been very successful on our war ships; and where huge engine powers are involved, 100,000 horsepower for instance, as against 3,000 or 4,000 horsepower used on the freighters, you can see where the value of the electric drive would come in. On the naval ships there is economy and facility of operation gained by taking those enormous powers and transmitting them through electricity to the shaft rather than by trying to put the enormous power directly on the shaft by mere physical action. That is a great gain. Now, it has been suggested that the same thing might be true in transmitting the power from the low-powered Diesels to the shaft. It is an experiment; I hope it succeeds. But the interesting thing is, Mr. Chairman, that, though announced a year ago, there is no Diesel electric drive ship running, and I understand no Diesel electric drive ship under construction.

Now, gentlemen of the committee, by the time you have got your experiments developed, two or three years will have gone by; the commerce of the world will be established on other people's ships to a certain extent, to a large extent I will add, and will be out of our hands and we will be out of the race. These Diesels are proved things. It is just like the Babcock and Wilcox boiler, or the triple expansion engine, or any of the types that were advanced in the nineties and eighties and which are now going into obsolescence.

The Diesel engine in 1917 was a proved commercial success, and those 21 ships, a photograph of which I left here, prove it; as the other 100 now in existence demonstrate it every day.

When people come to you and tell you the Diesel is an experimental matter I ask you that you show them these 21 ships, and ask them if they have read the reports of trips that are given by the Danish East Asiatic Co., which reports they give out and are glad to give out. Ask if they have seen them, and have noted the tremendous saving and economies in operation annually. The Danish East Asiatic Co. is one of the most prosperous steamship companies in the world and has been since the beginning of the use of these motor ships.

The CHAIRMAN. Can not you understand that the new administration coming into the Shipping Board upon your retirement, finding contracts having been awarded for hundreds of ships, with ships under construction already requisitioned, with ships in the fleets on the high seas commandeered, with arrangements having been made for the cessation of bridge building and of building operations generally except where absolutely necessary, with the steel supply practically diverted toward shipbuilding operations, with all the engine builders of the country arranged with for the construction of steam engines—

Mr. DENMAN (interposing). And with the Diesel engine builders at that time, Mr. Chairman.

The CHAIRMAN (continuing). With the steam engine builders having been arranged with, or contracts having been entered into with them, with the great emergency which confronted the board, that they would naturally hesitate about departing from that program and entering upon a new line of engine construction using a different fuel.

Mr. DENMAN. They were not departing from my program. You are describing things that I handed over to them, and a part of that was this contract which was not signed; nor were the facilities commandeered, and it would not have interfered with any building of steamships.

The CHAIRMAN. The contract was not signed because you had not decided which way you would do it, had you?

Mr. DENMAN. It was not signed by my successors because they did not decide—

The CHAIRMAN (interposing). No. it was not signed by you, you told us on yesterday, because you were debating whether you would commandeer the plant or whether you would have it done under contract.

Mr. DENMAN. That is quite correct.

The CHAIRMAN. Well now, you had not decided that matter?

Mr. DENMAN. Well, I had had it two days.

The CHAIRMAN. You took two days to decide?

Mr. DENMAN. No; I say I had two days or maybe three. The fact is that the project was decided on and was handled over to our successors with the rest of our projects. The British were building them during the war, and would have had a tremendous fleet if they had not used all their Diesel plants for building submarines; and they were able to translate their Diesel factories for land engines into Diesel factories for submarines, which engines for the latter use are more complicated than the other engines—and they did this during the very middle of the war, when she was almost starving.

The CHAIRMAN. Did the Navy build any Diesels for submarines?

Mr. DENMAN. Yes, sir; two of these factories I mentioned.

The CHAIRMAN. Built Diesel engines for submarines?

Mr. DENMAN. I think they did. But I would prefer for the Navy to state that.

The CHAIRMAN. I am asking only for your knowledge. You apparently have made a careful study of this problem and I am asking if you have inquired or if you know whether the Navy built any Diesel-propelled submarines or other craft during the war, or made contracts for them with Diesel engine builders.

Mr. DENMAN. Yes; Mr. Chairman, it did.

The CHAIRMAN. It did?

Mr. DENMAN. Yes.

The CHAIRMAN. It might well be, Mr. Denman, that your successors went into this same question that you have got up, to the point of making a decision upon it, and in the exercise of good faith and the use of their sound judgment determined that it should have been delayed.

Mr. DENMAN. That might have been but it was not a fact.

The CHAIRMAN. What is the fact?

Mr. DENMAN. The fact is that after I came on in January and reminded Mr. Hurley of our discussion on the previous July and

August, that he had forgotten that there was a contract offered and wondered whether it was in the files and sent down and got it. Now, I have no doubt—and I am not criticizing the good faith of those gentlemen. The last thing in the world I want to do is to criticize Mr. Hurley's good faith. When we had up the fight on the Cunard ships he was with us. Hurley has been right, but he didn't know anything about shipping. All he has done on Diesels is to turn out journalistic articles praising them—I call them journalistic ersatz and not real ships.

The CHAIRMAN. He had not signed the contract in January?

Mr. DENMAN. No.

The CHAIRMAN. Did you follow it up?

Mr. DENMAN. I did not follow it up. I have no interest in it now except as a citizen, and I could not hang on and press Mr. Hurley; besides, it would be unbecoming in the case of a man who had left the service under the circumstances I had left it, to be butting in.

The CHAIRMAN. Did Mr. Hurley advance any reason why it was not gone through with?

Mr. DENMAN. Yes; because they were not shipping men.

The CHAIRMAN. I am referring to the visit of January when you say he found the contract when you asked him about it.

Mr. DENMAN. I assume he found the contract.

The CHAIRMAN. I understood you to say he sent and got the contract.

Mr. DENMAN. I so understand. I was told by some members of the board afterwards that they got the contract and discussed it at that time. The Delaverne plant was engaged in manufacturing steam engines, and I understood that the thing was dropped in the general mess that arose out of shipping accounting and other difficulties.

The CHAIRMAN. Mr. Denman, when we adjourned on yesterday, you were proceeding to discuss another matter.

Mr. DENMAN. I was speaking, Mr. Chairman, of the hysteria that swept over Washington, almost Anglomaniac in character. At the time and prior to the time of the arrival of the British Mission here the propaganda against the Diesel had already begun. I have seen something of hysteria in my lifetime. I started out with it when I was a football manager, and have seen college crowds almost go crazy. I have seen Central American mobs, and was through the great fire in San Francisco and the hysteria and the depression that followed it. The situation in Washington paralleled these things.

I spoke on yesterday of the political-minded type. Men of that type ran with the popular movement of the time. I spoke of the hysteria at tea tables; I attended no tea tables myself, but the gossip and the spread of the doctrine went all through those circles and elsewhere.

Now, gentlemen of the committee, the reason why Great Britain did not want us to build Diesels is contained in my statement. They were planning for them, were building them during the war, and are building this great number of vessels now. They got the Mesopotamian oil fields out of the Versailles negotiations—subsequently thereto, but through the plans laid there. They were a coal-burning nation at that time, and prior to the acquisition or prospective acquisition of

those oil fields they were not seeking to develop anything in regard to the oil-burning vessels.

I spoke on yesterday of the Cunard ships as illustrating the type of difficulty that we encountered in Washington. Now, there was a disagreement in the board regarding the Cunard ships. Mr. Stevens wanted to turn them back. He did not know that the President had instructed me to get them. There were 30 members of the Congress who knew it, because the whole matter was discussed in the White House conference, at what I called the only union war conference that was had during the war.

Mr. CONNALLY. Why didn't Mr. Stevens know it? He was a member of your board, wasn't he?

Mr. DENMAN. He had started his opposition to it before I had communicated to him the President's desire. In that connection I would say that what we all wanted to do with regard to the Cunard ships was to get them back without public knowledge of it; and my appointment as conferee with the British commission was disconnected from my office as chairman of the board. My negotiations with them were——

Mr. CONNALLY (interposing). You were acting in a dual capacity, as a sort of diplomatic representative and also as chairman of the Shipping Board, is that it?

Mr. DENMAN. Whether you call it diplomatic or not it was in connection with getting ships. I was chairman of the Shipping Board; in fact, I had three positions, you might say, at that time: First, I was a conferee working in connection with the British mission, which lasted several weeks; second, I was chairman of the Committee on National Defense, made up originally of shipping men of New York, with whom I spent a very large portion of my time; third, I was chairman of the Shipping Board. I was instructed and desiring to coordinate all those avenues of activity affecting ships.

I am not criticizing Mr. Stevens, because he was sincere in his point of view. I am not going into that. I am merely pointing out the difficulties that arose there. Mr. Stevens brought us a great many men, brought to our employment a great many good men—Mr. Joseph Cotton, among others, a very able lawyer, and now one of the leaders of the New York bar, in Mr. McAdoo's firm. On the whole he made many contributions to the work of the board. I am merely trying to give you a picture of the situation. Speaking again of Mr. Stevens, his work with the labor group was excellent. These questions I mention are merely disagreements as to policy.

Mr. CONNALLY. Pardon me, but I was not inquiring about Mr. Stevens. I do not know him and do not care anything about him, but was wondering why he as a member of the board was not told by you about this.

Mr. DENMAN. Everything leaked in that board.

Mr. CONNALLY. Except that.

Mr. DENMAN. No; I say that everything that I told in that board leaked. We were trying to prevent a public controversy over the Cunard ships, and to get them back without having the newspapers conduct, possibly, a fight on Great Britain while we were going to war with her as an associate if not as an ally. As a matter of fact, in a veiled way, the whole question of the Cunard ships was voted on in the Senate, and there it was very carefully kept, although the form of the resolution was a very obvious thing, and was adopted

by a vote, I think, 49 to 7 or 8 in the month of May, 1917, and the policy I advocated was supported.

The CHAIRMAN. Did you as chairman of the board approve of a plan to build concrete ships?

Mr. DENMAN. No; that question did not come up in my time. There had been a discussion of concrete ships, but it had not gotten to a definite proposal.

The CHAIRMAN. No contracts were signed while you were chairman for concrete ships?

Mr. DENMAN. No; not only were no contracts signed but no proposals were made to us.

The CHAIRMAN. Did you take up the question of composite ships?

Mr. DENMAN. I did not personally.

The CHAIRMAN. Were any contracts signed?

Mr. DENMAN. Yes, sir; there were contracts signed, that is to say, as an experiment. The composite ship involved the use of a certain amount of steel, and it was a question whether or not the gain in wood that was put on the vessels overcame the risk in attempting to fasten wood and steel together. You see you have diverse materials, and fastenings suitable for wood might not be suitable for steel. You have to run a rivet through both the wood and the steel in that type. I understand that the ships, as an emergency proposition, were fairly successful.

The CHAIRMAN. Did you have any advisers or unofficial assistants from the shipping world with whom the board consulted as these various problems came up before it during your administration?

Mr. DENMAN. I was the chairman of the shipping committee of the Council of National Defense, and I had many consultations with those gentlemen, and they were very helpful. They knew the game, and——

The CHAIRMAN (interposing). I asked you if you had any unofficial advisers of shipping men with whom you consulted as these various problems came up before the board.

Mr. DENMAN. I am speaking now of those men.

The CHAIRMAN. Were they shipping men?

Mr. DENMAN. All of them were shipping men.

The CHAIRMAN. So you did have them?

Mr. DENMAN. Oh, yes; I presume I had the strongest group in the United States.

The CHAIRMAN. Did you discuss the question of this Diesel engine with them?

Mr. DENMAN. All those men agreed that the Diesel was advisable. The specific——

The CHAIRMAN (interposing). Can you give us the names of some of them?

Mr. DENMAN. Mr. P. A. S. Franklin; Mr.—I can give you a list of that committee, but the specific men who had had Diesel experience among them, I do not recall.

The CHAIRMAN. No; I am not talking about men who had had Diesel experience or anything else. I want to know if you as chairman of the Shipping Board had the benefit or the opportunity of consulting with practical shipping men, and if you did consult with them.

Mr. DENMAN. I consulted day after day——

The CHAIRMAN (interposing). Can not you give us their names?

Mr. DENMAN (continuing). And I consulted with them many times at night. I was going to give you the names, but you restricted me in my answer.

The CHAIRMAN. No; I said in the various problems that came before the board did you consult these shipping men of practical experience. I did not restrict your answer.

Mr. DENMAN. Mr. P. A. S. Franklin, Mr. Raymond, Mr. Sherman, of the Grace Co. and the Pacific Mail Co.; Mr. Bull and Mr. Munson in the West Indies and the South American trade. There was a gentleman from the Standard Oil fleet, but I have forgotten his name. I will think of it in a moment.

The CHAIRMAN. Was Mr. Luckenbach of the Luckenbach line one of those whom you consulted?

Mr. DENMAN. Yes; Mr. Luckenbach came to us, and I remember we were particularly indebted to him in the matter of personnel. We had two or three men proposed that Mr. Luckenbach gave us the history of and saved us making one bad break in employment. Mr. Luckenbach had had a very stiff experience—he was outside of the inside group in New York, had been an independent, and had learned shipping economy under the fiercest competition. As I say, I did not know the inside of the New York shipping world, and those gentlemen that I consulted with were, many of them, or at least some of them, tied up with British interests. My opinion of those men was that if they could have been free from that influence, as they would liked to have been, and could have run their ships as they wished, they would have run them strictly American.

Take Mr. Franklin, who was the head of the International Mercantile Marine. That was a parent company, owning all or nearly all the stock of three or four English fleets owned by English corporations. Under a wise provision of the English law, from their standpoint, the directors of those corporations had to be Englishmen, and during the war had to be persons agreeable to the Central Ship Control. Mr. Franklin wanted to get those ships out and make it an American company. At that time he was being bitterly attacked by various people, as being tied up with the British. To mention Franklin in connection with measures in the Congress at one time would have instantly suggested a British connection. But so far as his work with me was concerned, and the advice that I got from him, Mr. Franklin—and I analyzed what he said closely—was never un-American.

Now I repeat, as I did not know the inside of the New York shipping organization I had to proceed very cautiously.

The CHAIRMAN. Was there anybody on the board who did know it?

Mr. DENMAN. No.

The CHAIRMAN. Didn't Mr. Baker know it?

Mr. DENMAN. Mr. Baker's experience was in one branch of the International Mercantile Marine. Mr. Baker retired, as you will recall, before the board was organized. Mr. Donald ran a small line of ships in the South American trade, but Mr. Donald did not know these larger men in the shipping world. I remember once, when this committee came to my office, of Mr. Donald asking me to point out who certain well known shipping men were in the group. So I was helpless except as I was able to discover for myself the situation, but by the time I left I was pretty familiar with the situation.

The CHAIRMAN. Did you have any official of the Board or Fleet Corporation whose duty it was, before a yard was established, to

visit the proposed site and report back to the Board or the Fleet Corporation before the contract was signed?

Mr. DENMAN. I understand that Gen. Goethals had such inspectors. I myself was not familiar with it.

The CHAIRMAN. Did you make sure that that was done?

Mr. DENMAN. I did nothing in the way of interfering with or inquiring into the activities of Gen. Goethals, and I agreed when he came there that he should have absolute control of the details of manufacturing ships. And that is the way it should have been, and the responsibility should have rested there. It was impossible for me to enter into all those matters of policy, to conduct all the different negotiations, try to coordinate shipping as a living enterprise, and also attempt to manufacture ships.

The CHAIRMAN. Would you call that a question of detail, as to whether a new yard, a new plant, was to be established?

Mr. DENMAN. In the mass of the business, yes. If we had but one yard already existing, or one proposed new yard, and we were building half a dozen ships, and there were any policies to be established, I of course would have followed that. But in the great expansion all that was turned over to the general manager. As a matter of fact, Mr. Chairman, if we could have gotten the Hog Island question out of the way, and the Diesel project started, Gen. Goethals would have been as independent of interference of the board as Mr. Schwab believed when he became director general. I was responsible for the Emergency Fleet Corporation as distinguished from its general manager, receiving the power from the President to build ships, and it was my intention, as soon as the Diesel and great fabricating question was out of the way and I knew the details so that I could explain them to the Congress, that we should have nothing more to do with the details of construction; and the general manager, as director general of shipping, should be made personally responsible and have the power and the full power to carry out the program. I believe in that method. I believe in placing individual responsibility and keeping your hands off.

The CHAIRMAN. You felt that when a contract came up to you recommended by Gen. Goethals for the establishment of a new yard at a point where no shipping activities had ever before occurred, that all you need look for was the signature of General Goethals for you to sign the contract?

Mr. DENMAN. Yes; and for the reason that we never would have gotten the efforts that we did get if we had not put ways where ways had never existed before; in some places, in ports of other places where ships had never been built before.

The CHAIRMAN. And don't you know that you put ways where ways had never existed before and that you never got a ship off them?

Mr. DENMAN. I do not know that, but I imagine quite likely that happened.

The CHAIRMAN. What advantage could that be in the building of this great fleet?

Mr. DENMAN. No more advantage than the gunpowder we had after the war was over. If you want to call it a break, it was one of the breaks, or one of the cases of unsuccessful attack in the ship-building program. It is just as any attack in the war might have been unsuccessful, as many of them were, when made by the troops.

The CHAIRMAN. Didn't you have some well-established policy as to the establishment of new shipbuilding plants, as to where they should be, and the number of ships that were to be constructed, and the number of ways to be built? Now, of new plants, I mean; didn't you have some general broad policy along that line?

Mr. DENMAN. Yes; I think Gen. Goethals had the general broad policy of—

The CHAIRMAN (interposing). I mean, didn't you as chairman of the Shipping Board, and the Shipping Board itself, before it got to Gen. Goethals, before this particular discretion was turned over to him, have some particular policy under which new shipbuilding plants were to be established and the matter as to their location laid down.

Mr. DENMAN. There was a broad policy, but the power was allocated, Mr. Chairman, to the Emergency Fleet Corporation, and not to the Shipping Board.

The CHAIRMAN. What was the broad policy of the Shipping Board with reference to the construction of new shipbuilding plants?

Mr. DENMAN. To construct new shipbuilding plants wherever the technical investigation indicated that we might establish a plant, get the labor; and, better than that, get the managerial energy and capacity to assemble the superintendents and draftsmen, because drafting is an essential thing in beginning ships—and particularly to find labor that was adaptable to the building of the class of ships to be built. For instance, in building wooden ships it is desirable to get as near as possible men who are experienced in handling timbers, even though they may never have slung an adz in a ship's hull or in a yard where timbers for ships are prepared; to get loggers and millmen familiar with handling large timbers is more desirable than preachers and unskilled labor of various kinds, which finally had to be drafted.

The CHAIRMAN. Did you ever decline to sign any contract that came to your desk with Gen. Goethals's approval?

Mr. DENMAN. No. I asked for modification in some cases.

The CHAIRMAN. Did you ever ask Gen. Goethals to recommend or to approve contracts which you or the members of this committee had disapproved of?

Mr. DENMAN. No.

The CHAIRMAN. Did you in any way yourself, or by request of others, attempt to influence General Goethals's decision in the recommendations he made as to the awarding of contracts?

Mr. DENMAN. No; Mr. Chairman, and I have not done it since in my maritime practice, which has brought me in contact with many yards since I left the Shipping Board. I have made no attempt at any time to secure any contracts for any clients of mine.

The CHAIRMAN. Were you president of the board when the question of the Austrian ships came up?

Mr. DENMAN. Yes; but my connection with that was not as president of the board, although I was president, and I was chosen for that reason. I was the direct agent of the President, and he had a special fund given him by the Congress, which was used for that purpose.

The CHAIRMAN. Well, the board passed on the question of the Austrian ships, did it not?

Mr. DENMAN. No, sir; it had nothing to do with them.

The CHAIRMAN. The Shipping Board did not?

Mr. DENMAN. No.

The CHAIRMAN. Do you know whether or not the minutes of the Shipping Board show that it participated in the question of the disposition of the Austrian ships?

Mr. DENMAN. You are speaking of disposition now. I was speaking of the purchase. The disposition of the Austrian ships was made after I left.

The CHAIRMAN. Well, do you know whether or not the minutes of the Shipping Board show that it participated in the acquisition of the Austrian ships?

Mr. DENMAN. No; they do not, Mr. Chairman. If you want the whole story——

The CHAIRMAN (interposing). I am asking you now whether the minutes of the board disclose that the Shipping Board participated in the negotiations or the dealings had with reference to the acquisition of the Austrian ships.

Mr. DENMAN. I can say no, the minutes do not show that, because the Shipping Board did not have anything to do with the acquisition of the Austrian ships. But the Shipping Board had had negotiations prior to that for their charter, but the board itself had nothing to do with their purchase. That was a new plan proposed by the President and carried out by Mr. Baruch and myself.

The CHAIRMAN. Didn't you appear before the War Industries Board as chairman of the Shipping Board in the matter of the acquisition of the Austrian ships?

Mr. DENMAN. No; I appeared before the Council of National Defense, at their request, to make suggestions as to where we could get tonnage for immediate use. And at that time it was contemplated that we would enter into chartering arrangements with the American purchasers of the Austrian ships.

The CHAIRMAN. Didn't you appear before the War Trade Board, as chairman of the Shipping Board, in that connection?

Mr. DENMAN. It was organized after that time.

The CHAIRMAN. The War Trade Board was not then organized?

Mr. DENMAN. No, sir,

The CHAIRMAN. Then this is a fourth capacity in which you appeared while you were chairman of the board. One was as chairman of the committee of the Council of National Defense, and the others were as representative of the President in connection with the Cunard contract, and chairman of the Shipping Board, and then you also appeared in another capacity with reference to the acquisition of the Austrian ships.

Mr. DENMAN. That is correct; although the Cunard matter was under way by me before I got the President's indorsement of what I purposed to do.

The CHAIRMAN. Undertaken on your own account?

Mr. DENMAN. Yes; a function in a war way.

The CHAIRMAN. As representing any particular interest?

Mr. DENMAN. I do not think I thought much about that; I wanted to get ships.

The CHAIRMAN. For whom?

Mr. DENMAN. For the United States.

The CHAIRMAN. Was this the result of some conference with the President that this matter was turned over to you? Did you bring it to his attention, do you mean?

Mr. DENMAN. I brought it up at this session of the allied representatives and of the House and Senate, which was held in the White House on the 9th of May, 1917, at which my whole project for building steel and wooden ships then embodied in legislation in a proposed bill, was discussed by those gentlemen. As I look back on the things I did in Washington I believe that was one of the most significant. I think if every bill, the food bill, and every one of the large war measures, which were under discussion and bitter discussion, in the two Houses, had been the subject of the kind of conference that we had over our legislation, that many of the difficulties which arose in the Congress would have been smoothed over.

The CHAIRMAN. Well, you were chairman of the Shipping Board at that time?

Mr. DENMAN. I was chairman of the Shipping Board from the 20th of March until the 24th of July.

The CHAIRMAN. And this was on the 19th of May.

Mr. DENMAN. The 9th of May.

The CHAIRMAN. Yes; the 9th of May.

Mr. DENMAN. Yes, sir.

The CHAIRMAN. You were chairman of the Shipping Board at that time?

Mr. DENMAN. Yes, sir.

The CHAIRMAN. Did you start to add to your answer?

Mr. DENMAN. I presented to the assembled group of legislators and the President, our whole shipping program, and I pointed out that in order to make it successful we would have to stop the building of high buildings and steel bridges and run all the yards on the two or three shift basis, and that these Cunard contracts stood in the way. And I was requested by the President, acting as conferee with the British Commission, to obtain from Mr. Balfour an amicable agreement for their return.

The CHAIRMAN. How did you secure an appointment from the President to negotiate with reference to the acquisition of the Austrian ships? Was the appointment in writing?

Mr. DENMAN. No; and the circumstances were these: At the time the Council of National Defense was asking concerning the obtaining of additional tonnage, I think under the pressure of the pleadings from the French, and we started in to negotiate with the Pyne syndicate and its representatives in New York for a charter of the vessels. Subsequently, and I have forgotten the exact date but it was in the middle of April, the President asked me about this tonnage, and I assume that probably Mr. Baker, who was the chairman of the council, had been talking to him about it, because he asked me not to secure a charter but to secure the ships, and to secure them at cost, so that in the first negotiations for the purchase of ships there would be an example to the country on a no-profit transaction. I was opposed to this—

The CHAIRMAN (interposing). Isn't it a fact that notwithstanding you acted in these several other capacities, that the reason you were appointed was because you were chairman of the Shipping Board,

and these were shipping problems, and that rather than have the entire board act upon the matter the President asked you to carry out the negotiations?

Mr. DENMAN. That is correct.

The CHAIRMAN. They were shipping problems, were they not?

Mr. DENMAN. Oh, the Austrian ships were a splendid addition to our fleet.

The CHAIRMAN. In none of these other capacities did you receive any appointment or commission actually signed by the President?

Mr. DENMAN. I received notification from the State Department in connection with the conferences on ships, but what communication passed between the President and this department I do not know.

The CHAIRMAN. Mr. Denman, you never received any appointment or commission signed by the President designating you as commissioner or conferee or anything else?

Mr. DENMAN. I did not receive it; no; not in the sense of having had handed to me a paper with the signature of the President thereon.

The CHAIRMAN. Did you make the appointments of the various officials of the board?

Mr. DENMAN. No; I made no appointments. I had no power to do so.

The CHAIRMAN. Who had the power?

Mr. DENMAN. The board.

The CHAIRMAN. Did you sign the commissions for the various appointees of the board?

Mr. DENMAN. My recollection is that the only thing we did was to pass a resolution by the board.

The CHAIRMAN. Who appointed, for instance, the stenographers to the board; did you appoint them?

Mr. DENMAN. Yes; they were all appointed by resolution.

The CHAIRMAN. And as president of the Emergency Fleet Corporation, how were the officials of that organization appointed?

Mr. DENMAN. By Gen. Goethals.

The CHAIRMAN. You made no appointments to the Fleet Corporation?

Mr. DENMAN. None whatsoever.

The CHAIRMAN. Did you ever ask that anybody be appointed in that organization?

Mr. DENMAN. No. There was a question as to whether Mr. Eustis should remain with our organization or should go with Gen. Goethals and Gen. Goethals and I had some discussion over that matter and I said it was for him to decide, but that I thought Eustis would be useful to him. They ultimately had a disagreement and Eustis left the Emergency Fleet Corporation and remained an employee of the Shipping Board, and he finally devised that scheme for cutting vessels and getting them out of the Great Lakes. I say he devised it; I mean he perfected it. It was well known at the time.

The CHAIRMAN. If Gen. Goethals was vested with this broad discretion with reference to the establishment of new plants and new yards, and with recommending and signing of contracts, what was there that brought the Hog Island project to your attention and which resulted in a difference of opinion between you and the general?

Mr. DENMAN. The magnitude of the project and the public attention that it occupied; the imminence of our demand for more money, to be made before the Congress, and my obligation to appear before congressional committees. All that we desired from Gen. Goethals was a more complete statement as to the project, and I believe if we could have convinced the General that it was not the beginning of a series of invasions of his prerogatives that we would have had no difficulty there.

The CHAIRMAN. Have you some questions, Mr. Foster?

Mr. FOSTER. Nothing further than the one I inquired about yesterday. I want to ask you, Mr. Denman, if during the time you had charge of the contracts the Skinner and Eddy contract, in Seattle, in the form referred to yesterday, came up? I gathered the information out there, Mr. Denman, that it was a contract peculiar and different from others in that no inspection of their books and accounts was permissible unless they had authority from the home office in the East. I thought you might give as some information as to how such a contract would be in the position of standing out by itself as to this provision from others on the coast.

Mr. DENMAN. My impression is that Skinner and Eddy got their contract after my time, and if it was after my time I would not know.

Mr. Foster. I asked you because you referred to it.

Mr. DENMAN. I was referring to something entirely different from the matter of expense or conditions of the contract. I was referring to war efficiency. I know nothing of the details of that contract.

Mr. FOSTER. Who would know about that?

Mr. DENMAN. You can get a copy of the Skinner and Eddy contract.

Mr. FOSTER. We have had that, but who would know of the conditions existing at the time that the contract was made, and who could explain why it contained a different provision from any other contract on the Pacific coast, which provision was that the United States district auditor had no right to look at the books until he got authority from the office in Philadelphia. Where might this committee, in your judgment, go to find the situation existing, if any there was, to warrant that kind of contract standing out by itself.

Mr. DENMAN. If Admiral Capps signed that contract he could tell you who the person was who was responsible for drawing it up. If it was Admiral Bowles, he could tell you. Those were the two men in succession in charge of shipbuilding after Gen. Goethals left.

Mr. FOSTER. You would not know anybody else other than these two men?

Mr. DENMAN. Those were the men who were responsible.

Mr. FOSTER. Was any contract made with Skinner and Eddy while you were chairman of the board?

Mr. DENMAN. I say my impression is that it was after my time. I do not recall signing any Skinner and Eddy contract.

Mr. FOSTER. That is all, Mr. Chairman.

The CHAIRMAN. Any questions, Mr. Connally?

Mr. CONNALLY. I want to ask Mr. Denman one or two questions. Mr. Denman, this controversy that arose between you and Gen.

Goethals resulted in the resignation of both of you at the same time, did it not?

Mr. DENMAN. I do not know whether it was the controversy or not. The President has never indicated to me whether it was the controversy with Gen. Goethals or what it was.

Mr. CONNALLY. Well, both of you resigned simultaneously?

Mr. DENMAN. Yes, sir; simultaneously.

Mr. CONNALLY. My object, though I can not follow it up, because you probably would not know, or what I was wondering was as to why there was no decision made between you?

Mr. DENMAN. Because there was really nothing to decide.

Mr. CONNALLY. Very well. You spoke about Mr. Stevens being the political member of the board. How long was Mr. Stevens on the board?

Mr. DENMAN. Mr. Stevens retired from the board just prior to his candidacy for the Senate in the State of New Hampshire in this last campaign. He was on the board from about the 18th of March, 1917. When I spoke of him being the political member of the Board—and I want again to be understood as not treating that as a term of derogation—I mean I had not what is known as political sense. Mr. Stevens was a very valuable man in many ways. Despite his attitude on the Cunard ships he was sent to England as the Shipping Board's representative there.

Mr. CONNALLY. Did you mean by the term "the political member" that he was not a practical shipping man? That is really what you meant, wasn't it?

Mr. DENMAN. I think more than that. He had a certain kind of political sagacity. For instance, he wanted us to keep ourselves secure with the White House in the Bolling appointment; and he wanted us to ride with the English at the time it was unpopular to disagree with them. He was a man who sensed the general prevailing political conditions.

Mr. CONNALLY. You spoke in your testimony of the mess that had resulted from lack of a proper accounting system. What, if anything, was done during your administration with reference to outlining a general plan of keeping the expenditures, the disbursements, both of the Shipping Board and the Emergency Fleet Corporation, in a systematic manner? Was anything done? Who was in charge, and who was supposed to direct those things?

Mr. DENMAN. That was a matter of board policy. You will recall, Mr. Congressman, that the power to do this was not allocated to us until the 11th of July, 1917.

Mr. CONNALLY. The power to do what?

Mr. DENMAN. To allocate the functions of shipbuilding and shipbuilding operations to anybody. On the 15th of June, 1917, the Congress passed the war ship bill. The form of that bill gave to the President all the powers, and it was for him to allocate those powers amongst such agencies as he chose. Now, on the 11th of July he made the decision between operations and shipbuilding, and when I sat down with Mr. Hurley I called his attention to the division, and told him that in our opinion he should create a new corporation so that he might have in one corporation the operation of ships and in another the manufacture of ships.

Mr. CONNALLY. Well, I know, but what were you doing about your accounting while you were in there? You were spending money, and did you have any comprehensive plan of accounting, either in shipbuilding or in operation?

Mr. DENHAM. We had a complete system of accounting at the time. We were getting no money, you know, for operations. We were operating in this way: We repaired these German ships and turned them over to the different allies, who operated them on a compensation to be later fixed. I was yesterday asked the date when we started that activity in New York. It was on April 6, 1917, the day that we entered the war.

Mr. CONNALLY. I believe that is all, Mr. Chairman.

Mr. KELLEY. Following along that same line, Mr. Denman: During the early part of your administration large sums of money were advanced to the various shipbuilding companies, and great quantities of material were provided for ships. Do you recall whether there was at that time a proper system of keeping track of the material that went into various yards—or would that go to Gen. Goethals?

Mr. DENMAN. I knew nothing about that. I imagine that none of those new yards had gotten to the point where materials had been assembled in any large quantities. But that is a mere question of hazard.

Mr. KELLEY. That would have been a good time to have inaugurated your system—before you got a large part of your material.

Mr. DENMAN. Oh, I have no doubt Gen. Goethals would have had it organized as well as he did on the canal if he had continued; but you will remember we were only going 12 days under the authority. Prior to that time he was trying to stimulate shipping men to get the work started at all.

Mr. KELLEY. You mean that you only had 12 days of actual service when you could pay out money?

Mr. DENMAN. No; we paid out money without authority.

Mr. KELLEY. I know; but that is something, of course, you expected would be ratified?

Mr. DENMAN. Oh, yes.

Mr. KELLEY. Who was the first comptroller of the Shipping Board and of the Fleet Corporation?

Mr. DENMAN. Mr. Soleau.

Mr. KELLEY. This was, of course, destined to be a very large project, this shipbuilding business. You knew when you started in it was going to be an enormous corporation in volume of business and in money handled. What qualifications did Mr. Soleau have for the handling of the books, keeping track of these funds, and keeping track of the materials which were to be assigned to those various companies?

Mr. DENMAN. Mr. Soleau was the auditor for the Shipping Board—

Mr. KELLEY (interposing). I know, but what qualifications had he?

Mr. DENMAN (continuing). And Mr. Olla was, as I recall, the auditor for the Emergency Fleet Corporation. He was chosen by Gen. Goethals, and I am not aware what prior experience he had.

Mr. KELLEY. Mr. Denman, it would seem as though the Treasury Department could have set up a system of books for you which would have been in harmony with the other systems of bookkeeping of the Government, and if that had been done you could have kept out of

the trouble that we got into. Why wasn't the Treasury Department called into that matter?

Mr. DENMAN. I do not know what Gen. Goethals did about that.

Mr. KELLEY. Wasn't the comptroller in fact the joint comptroller of the Shipping Board and of the Emergency Fleet Corporation.

Mr. DENMAN. My recollection is that the entire question of manufacture and manufacturing accounts was under Gen. Goethals and that Mr. Soleau had charge of Shipping Board funds.

Mr. KELLEY. But I understood you to say that the Shipping Board made the appointments, even down as low as the place of stenographer.

Mr. DENMAN. No; you misunderstood me. They made appointments for Shipping Board activities which were policy and operation. Gen. Goethals made all the appointments on the manufacturing end, and that was provided in one of the by-laws of the Emergency Fleet Corporation on April 18, 1917.

Mr. KELLEY. To cut it short, if there was none or an improper method established in the matter of accounting and keeping track of the supplies of the Government, that responsibility falls on Gen. Goethals and not on you?

Mr. DENMAN. That is correct; but it must be remembered that Gen. Goethals did not have the perfecting of his system; that he was striving during all that time he was there to stimulate production.

Mr. KELLEY. I know, Mr. Denman, but the testimony before this committee has been that in some cases the board did not even know where the funds were; did not know how much they were; and the system was so faulty that the board did not even have knowledge of where the moneys were deposited nor in what amounts.

Mr. DENMAN. Nothing of that kind existed during Gen. Goethals' time, because we had not gone far enough.

Mr. KELLEY. You had funds?

Mr. DENMAN. We had funds, and I will wager this, which is a mere wager or hazard, that every fund could have been located.

Mr. KELLEY. You took over in your time the ships that were being built on private account?

Mr. DENMAN. No; that was after I left.

Mr. KELLEY. There was no commandeering of ships in your time?

Mr. DENMAN. No. As I say, in the last meeting we had up the question of a list of contracts of private persons then in existence and the vessels being constructed and to be constructed, which had not been completely compiled, and we requested at this last meeting a complete compilation thereof. That was necessary for a perfection of the policy of commandeering.

Mr. KELLEY. That would fall to Gen. Goethals also?

Mr. DENMAN. Yes, sir.

Mr. KELLEY. And the policy of commandeering and the keeping track of commandeered materials?

Mr. DENMAN. There are two questions involved there: (1) The commandeering policy, involving, as it did, the vessels of foreign owners, which would be done by the Shipping Board in conjunction with Gen. Goethals; and (2) keeping track of materials, contracts, contract obligations, which would fall to Gen. Goethals.

Mr. KELLEY. Then if it did appear that the Government commandeered material of these various yards belonging to private enterprise,

and made at the time no inventory of that material, so that it was almost impossible to settle later on, the fault for that would be with Gen. Goethals?

Mr. DENMAN. Why, no. Gen. Goethals would have had abundant time in the next 60 days or three months, if he had remained, to have made a list of the material, and to have——

Mr. KELLEY. (interposing) How could he do that when he was sending new material in there all the time to finish ships?

Mr. DENMAN. The amount of new material that was going in on the commandeered ships at this period would not have been of any considerable quantity, because we had not commandeered. The commandeering of ships came about two or three months afterwards.

Mr. KELLEY. Then, Gen. Goethals's successor would be responsible for anything of the sort I have indicated?

Mr. DENMAN. Yes; it had not come up. Commandeering did not come in my time. We could not commandeer until we got the order from the President, and the order did not come until July 11.

Mr. KELLEY. Who was Gen. Goethals's immediate successor?

Mr. DENMAN. Admiral Capps.

Mr. KELLEY. But he did not stay long?

Mr. DENMAN. No; Admiral Capps was sick.

Mr. KELLEY. Then who followed him?

Mr. DENMAN. Admiral Bowles.

Mr. KELLEY. Did he stay very long?

Mr. DENMAN. I think he stayed until Mr. Schwab came in the following April.

Mr. KELLEY. Where was Mr. Piez; where did he come in?

Mr. DENMAN. Now, I can not give you that.

Mr. KELLEY. Well, that is a matter of record.

Mr. DENMAN. Yes. I can not give you the successions of authority there. I think Mr. Piez was under Admiral Bowles at the start and afterwards succeeded him, but I do not recall definitely now. As a matter of fact, I was trying to pull my law practice together in California at that time, and my recollection of Shipping Board affairs as of that time is not entirely clear.

Mr. KELLEY. Then, any defects growing out of improper accounting arose after your time?

Mr. DENMAN. Yes, I think a very large part is traceable to failure to make segregations such as the orders contemplated, and that, to a business man, would seem obvious. In my own business to-day I would no more have a blending of accounts of that character than I would think of keeping no accounts at all. My own cost sheets run out to the fourth decimal.

Mr. KELLEY. Do you recall what the qualifications of Mr. Soleau were, and what experience he had in this kind of work?

Mr. DENMAN. Yes; he had been in the government departments for years as an auditor.

Mr. KELLEY. Wouldn't it strike you that such a project of such immense size would require the best accounting talent in the country to organize a system of books?

Mr. DENMAN. Mr. Soleau was on the Shipping Board side and not on the Emergency Fleet side.

Mr. KELLEY. I don't care which side he was on if we could only have a proper set of books on either side or on both sides, so as to tell where the material would go and to keep track of it.

Mr. DENMAN. Mr. Soleau, Mr. Congressman, had nothing to do, as I recall it, with the question of materials. But Mr. Soleau had for years been with the Treasury Department and understood treasury methods. I had no difficulty in obtaining money from the treasury or in satisfying the treasury requirements during the time I was chairman of the board.

Mr. KELLEY. Well, but of course you understand now there are some \$1,500,000,000 of accounts that the Treasury Department refuses to pay.

Mr. DENMAN. I understand there is a dispute——

Mr. KELLEY (continuing). Because of faulty accounting.

Mr. DENMAN. Yes; I understand there is a dispute as to whether or not the ordinary business method of auditing bills before paying them, or the Government method of auditing after payments, should have prevailed. I am not in a position to solve that dispute; and, as a matter of fact, I am not familiar with Government accounting.

Mr. KELLEY. Who fixed the duties of the treasurer? He must have had considerable to do even in your day.

Mr. DENMAN. I do not recall how the treasurer's duties were fixed. My impression is that the auditor was the chief adviser to the treasurer in the matter of methods of acquisition and disbursement of funds.

Mr. KELLEY. The treasurer was under the control of the comptroller?

Mr. DENMAN. Are you referring to the comptroller of the Shipping Board?

Mr. KELLEY. I understand that the comptroller of the Shipping Board and of the Emergency Fleet Corporation were one and the same person.

Mr. DENMAN. Well, we had no comptroller in that sense in my time at all.

Mr. KELLEY. How was that?

Mr. DENMAN. I say, we had no comptroller in that sense in my time at all. I think you will find that during the period immediately succeeding me these matters were finally worked out. We were just in the process of establishing a system.

Mr. KELLEY. They were not worked out. What I am getting at is this, Who fixed the duties of the treasurer, who determined what his powers should be; the board or Gen. Goethals or yourself or who?

Mr. DENMAN. The treasurer of the Emergency Fleet Corporation, which had the construction of ships, was under the control of Gen. Goethals.

Mr. KELLEY. There never was but one treasurer, was there, of the two organizations? I mean, there was one office. You did not have a treasurer of the Shipping Board and a treasurer of the Fleet Corporation, too, did you?

Mr. DENMAN. I can not recall whether the two functions were performed by one man or not. My impression is that they were. I can get the data on that for you.

Mr. KELLEY. Do you remember who the treasurer was?

Mr. DENMAN. I think it was Mr. Stevens.

Mr. KELLEY. A member of the board?

Mr. DENMAN. He was also a member of the directorate of the Emergency Fleet Corporation.

Mr. KELLEY. Wasn't Mr. Smith the treasurer?

Mr. DENMAN. You will have to let me refresh my memory on that.

Mr. KELLEY. How could it happen, even back as far as your day, that collateral securities of various kinds, put up for the safe performance of contracts, could be lost track of, so that nobody would know where they were or what they were?

Mr. DENMAN. I presume on account of defective recordation.

Mr. KELLEY. What was that answer?

Mr. DENMAN. I presume owing to defective recordation.

Mr. KELLEY. Of course I realize that you were going along under a full head of steam, and had a great many things to think of, and probably the organization inception was the last thing you thought of.

Mr. DENMAN. Well, I do not think so.

Mr. KELLEY. What I meant to say is, that the machinery for carrying on the work was delayed.

Mr. DENMAN. The machinery was developed as we went along. As I say, the great expansion was not on my branch, because I had no ships then to operate. It was on Gen. Goethals's branch. But it was growing by leaps and bounds. The contracts were piling up and the business was expanding at a terrific rate, beyond, I think, the capacity of any organizing genius to carry on without friction. Take the Standard Oil Co. itself and ask it to-morrow to quadruple, and then again quadruple its activities, and get its staff of agents, subauditors, and its superintendents, and get railroad men and its pipemen; ask them to do that in six weeks or two months, and I will guarantee that their conditions to the outsider's eye would somewhat parallel ours. It would be better, however, as the Standard Oil is very efficient.

Mr. KELLEY. The Navy Department expanded from 50,000 or 60,000 to 500,000 men, and I never heard of any trouble with their bookkeeping although there was a great expanding of accounts.

Mr. DENMAN. They had a going concern. They were familiar with all these transactions and simply took the young men and expanded out.

Mr. KELLEY. Could not the Shipping Board have perfected its organization—

Mr. DENMAN (interposing). It was perfecting it.

Mr. KELLEY. (continuing). In order to keep track of funds and securities? The testimony before this committee is that bundles of securities were around in the hands of different persons and no record of where they were.

Mr. DENMAN. I have not any excuse to offer for that, but I am not familiar with the situation you mention. Of course if that occurred it should not have been done.

Mr. STEELE. Is that an exactly correct statement?

Mr. KELLEY. There is testimony that there were securities in the Girard Trust Co. and the Shipping Board did not know where they were; that they were there, and when they got them back they did not know whether they were all there or not.

Mr. DENMAN. That was not true during my time. I remember that the only security I took was for an advance to a corporation furnishing timbers, which security consisted of a ship, and a mortgage was drawn very carefully, and there was not any question about its place of location.

Mr. KELLEY. When you took over the Austrian ships what did you do with them?

Mr. DENMAN. Repaired them.

Mr. KELLEY. Who repaired them?

Mr. DENMAN. I can not give you a list of the repair yards.

Mr. KELLEY. I do not mean that, but did you repair them or did the Navy repair them?

Mr. DENMAN. We repaired some and the Navy repaired some. Mr. Yates and this committee, established on the first morning of the war, had to do with that.

Mr. KELLEY. I am not particular about that. Then what did you do with them after they were put in repair?

Mr. DENMAN. That was not solved until after I left the Board, because of the repairs——

Mr. KELLEY (interposing). You mean that the Government had these ships?

Mr. DENMAN. The repairs were not completed, except I think as to one or two and possibly three that were handed right over to the shipping organizations of our allies for the carriage of munitions. They had to leave here immediately. They were manned by us and turned right into their fleets until we got our power from the Congress. The idea was to have a general ship control committee of our own.

Mr. KELLEY. Did you ever hear any complaints that those ships were turned over to parties who were allowed to operate them at a profit for three round trips?

Mr. DENMAN. That is another group of ships entirely.

Mr. KELLEY. That is another group of ships?

Mr. DENMAN. Yes, sir. I know something about that. There was a large group of Austrian ships, eight of them, seven or eight, purchased by Mr. Baruch and myself, with the Presidential money. Those were never allowed any free trips. Then there was a second group, with the Kerr and Clegg interests, the ramifications of which I did not understand, and I understand the Government is having some difficulty in unraveling. I was called on by Mr.—I have forgotten his name, but he was a big husky chap, and I understand an Englishman—on behalf of Kerr and Clegg, just before I left the Shipping Board, and he asked me whether or not we were going to buy those ships. Now, it was before we got the powers from the President.

At that time it was apparent that we were going to commandeer everything. We had the commandeering powers given by the Congress, and I told him no, that as far as I was concerned that was the situation, but that I did not know what the board's action would be; that if the question came to us I did not know what the board's action would be, but that as far as I was concerned we were not going to buy those ships, but would get them in this general commandeering program, and thereby get control of them.

I have seen the minutes of the board of October, 1917, in which free trips—well, I have forgotten whether it is a minute or a letter—free trips were promised to Kerr and Clegg, or to somebody owning that group of ships. And the reason I was interested in it was that the *George Washington*, the motor ship, could have been brought under the American flag early in August, 1917, if some arrangement for free trips had been given to them. You see she

was free, outside, and if they could have been allowed a certain number of free trips under the American flag Olsen would have been willing to put her under. I wondered whether the free trip idea had killed the bringing in of the *George Washington*, and discovered that free trips had been guaranteed to other vessels subsequently.

Mr. KELLEY. At this particular time of course freight rates were very high, in October, 1917.

Mr. DENMAN. It was estimated that a wooden ship of the type that we proposed to build and that were built would pay for itself in two trips across the Atlantic.

Mr. KELLEY. And if those parties, Kerr and Clegg, were given three round trips free, so that they could charge the going freight rates, it is your opinion that they would make enough profit on those three trips to pay for the ships?

Mr. DENMAN. That is my opinion; yes.

Mr. KELLEY. And that practice was not accorded to you or to others I mean, in your time?

Mr. DENMAN. Never in my time. I certainly would have given no free trips to the Austrian ships we were going to commandeer. But I would have brought in other ships, of the Danes, and Swedes, and Norwegians and any others I could have brought in to get them under the flag, by giving free trips, because they had the advantage of free trips anyway.

Mr. KELLEY. In your statement that you offered for the record on yesterday, and that I presume went into the record, in speaking of the Diesel engine contract you used this language:

Its rejection—

I suppose that means the rejection of the Diesel engine program.

Mr. DENMAN. Yes, sir.

Mr. KELLEY. And you continued:

was the climax of the tragedy of blunders of the Hurley administration.

What were some of the other blunders of which this was the climax?

Mr. DENMAN. There is a phrase in English literature, "Oh that mine enemy would write a book."

That sentence in my statement was used in connection with the next, in which I paid a tribute to Mr. Hurley's accomplishments. I do not want to be put in the position of unbalanced criticism. Besides, looking-backward criticism is very easy. The criticisms I have made of the succeeding administration were looking-forward criticisms, based upon the failure to adopt the programs and policies that I had advocated. Now, I think there was a series of extraordinarily unhappy mistakes made.

Mr. KELLEY. That is what we want to hear about.

Mr. DENMAN. At the time they were performing extraordinarily valuable public service, and I do not want to be one-sided in what I am saying. The first mistake was a mistake in not building some Diesels at these many plants.

Mr. KELLEY. That was the climax of the mistakes, and we want the others now.

Mr. DENMAN. I think the great next error was in failing to put the entire responsibility and entire control for building ships on the general manager of the corporation as director general, in the way

that we expected to do it with Gen. Goethals, once the type and policy were determined on; in the way we did it with Gen. Goethals in all other matters. I think the chairman of the Shipping Board should have confined himself to operations, and that the director general of the corporation should have had the manufacture of ships.

I think that if Mr. Hurley and his associates, instead of visiting the shipyards to do this stimulation work with labor that Mr. Schwab was so admirably suited to perform, had been studying the problem of management of ships and types of ships for the war emergency and for the competition after the war, that an enormous quantity of waste motion would have been avoided. If Mr. Schwab had not been peculiarly suited to arouse public sentiment, Mr. Hurley's gifts in that direction would have been required on the ship stimulating end, but there was enough of that in Mr. Schwab, who understood publicity well enough and had the kind of personality to give the inflation that was needed on that side. And Mr. Hurley's extraordinary driving energy could have been put on the shipping problem, the type question, and the organization of the management of these tremendous agencies on the operating side. I think they should have learned from the comment that was made on the so-called Goethals-Denman disputes, that the thing to do was to separate the two divisions of the work and let Admiral Capps or Admiral Bowles or Mr. Schwab, or whoever was going to have that particular function, let that man have the responsibility for the manufacture of ships; and the other man have the responsibility for the problem of management in operations, which was just as great and just as important a work and now is far more important.

Mr. KELLEY. Both you and Gen. Goethals agreed on that policy, didn't you; that he should manufacture the ships and build the yards, and that you should operate the ships?

Mr. DENMAN. That was agreed; yes.

Mr. KELLEY. But that policy was not pursued after you and Gen. Goethals left the board?

Mr. DENMAN. There was an intermingling of the energies of the different administrators, of the chief administrators, Mr. Hurley particularly, on the operating end with actual manufacture of vessels.

Mr. KELLEY. Now, during Mr. Hurley's time as chairman of the board, Mr. Piez held the place that Gen. Goethals had under your time, didn't he?

Mr. DENMAN. I think he did, for a while.

Mr. KELLEY. Didn't they preserve this idea, of one looking after the operating of ships and the other the building of ships; or did Mr. Hurley interfere to the disadvantage of the Government with Mr. Piez? I am just trying to get your opinion, that is, of what happened.

Mr. DENMAN. A great deal of Mr. Hurley's time was spent at the yards—I am judging now from the continued reports in the press of his presence there—stimulating the workers and giving journalistic publicity to the manufacturing scheme.

Mr. KELLEY. So that very little if any, of the attention of persons of prominence on the board, was centered on operations?

Mr. DENMAN. How much that was, I do not know. But the failure to have any auditing system on the great numbers of agencies established arose during this period.

Mr. KELLEY. What fault have you to find with the operation of ships at the present time?

Mr. DENMAN. That of determination of a policy for operation and sale.

Mr. KELLEY. I know, but I mean actual operation and handling of these 1,400 ships at the present time, which matter is in the hands of Capt. Foley or somebody else at the head of the Division of Operations under the Shipping Board. Is it managed all right now?

Mr. DENMAN. Can you tell me whether or not Capt. Foley is a commercial shipping man?

Mr. KELLEY. I do not think he is. I think he is a naval officer.

Mr. DENMAN. I am opposed at all times to giving to highly technical trained men of the Army and the Navy control of the vital living business organizations.

Mr. KELLEY. I know in theory, but I am not talking about the theoretical situation; I am talking about the actual situation. What fault have you to find so far as you know of the management of these 1,400 ships at the present time?

Mr. DENMAN. I would not want to find any fault without more information than I possess. Those other faults were obvious.

Mr. KELLEY. Why isn't it all right now?

Mr. DENMAN. I would not want to find any fault with the workers for a board which has not formulated a definite policy for the management or disposition of those ships.

Mr. KELLEY. Let me make myself clear. Your statement was that one of the glaring faults of Mr. Hurley's administration was that he did not devote himself to the operations and have somebody else at the head of the Fleet Corporation devoting himself to construction. I assumed from that statement that there was something radically wrong with their operation, because you enumerated that as a blunder.

Mr. DENMAN. That is correct.

Mr. KELLEY. What is wrong with operations?

Mr. DENMAN. I was referring to Mr. Hurley's time.

Mr. KELLEY. You are a shipping man.

Mr. DENMAN. I was referring to conditions as they existed during Mr. Hurley's administration; to the segregation that I understand today exists.

Mr. KELLEY. What is wrong with the Government management of ships to-day? Isn't the Government getting one hundred cents' worth of service from every dollar that it puts into them to-day?

Mr. DENMAN. I do not know. I am not in charge.

Mr. KELLEY. Why do you say some other system would be a better system if this system is all right?

Mr. DENMAN. In quoting me I do not think you quote clearly my position. We are shifting the ground from the suggestions I think I made.

Mr. KELLEY. I am not shifting the ground. I am making my question as clear as I know how to make it. What is wrong with the management of ships as they are now operated?

Mr. DENMAN. I have not said it was wrong.

Mr. KELLEY. You said, if I understood you correctly, that one of the great blunders of the Hurley administration related to the operation of ships; that he did not give his attention to them. I assumed from what you said that you meant there was some shortcoming in the management of the department.

Mr. DENMAN. Mr. Hurley has not been there for a long time.

Mr. KELLEY. But his policy goes on, the one that he instituted?

Mr. DENMAN. I think you would find that his successors would say that is not so, but I am not competent to answer for them.

Mr. KELLEY. Do you want to give any information, or rather opinion I mean, as to the efficiency of these ships at the present time or under Mr. Hurley?

Mr. DENMAN. Under Mr. Hurley's time there were many, how many I can not give you but a very large number, of agents of the Government operating ships. They were collecting freights running into the millions and hundreds of millions of dollars. There was no system of business management of those agents. When Mr. Rosseter came here, his energies which should have been devoted to type and to grabbing commerce from our opponents, were spent in trying to straighten out the management of those agencies. I think that was an unhappy occurrence.

Mr. KELLEY. Well, is it your criticism that too many new operators were given ships?

Mr. DENMAN. No; I would not make that criticism, because to make that one should know by an intimate study, which I can not give and have not given, what the entire group was. One of the great difficulties, one of the great drawbacks of America in international commerce, is the few personalities that understand international trade and carriage in ships. I want to develop that if I may: We are very far behind the Norwegians and the Swedes and the Danes and the Hollanders and Great Britain, particularly, in ship brains. You may have all the ships in the world, and all the superiority of type in the world, but if you do not have ship brains you can not make money. It is the shipping man who makes the shipping business. We have not enough of them in the United States. And if from these new agencies that were created during Mr. Hurley's time there has been an increment of 50 per cent of brain power, in men understanding international commerce and the management of ships on the sea, that asset is worth as much as the ships that were built.

Mr. KELLEY. Your criticism is that Mr. Hurley at least did not devote himself to the study of shipping problems as an operator, which he should have done?

Mr. DENMAN. He should have devoted more study to operation and less to the stimulating side of work in the yards.

Mr. KELLEY. Are you familiar with the operating contracts which have been entered into by the Government from time to time, especially during Mr. Hurley's time?

Mr. DENMAN. No; I am not. They have been altered from time to time, and I am not an attorney for any agent of the Shipping Board, barring one, a steel shipbuilding yard in California. And they are shipbuilders and not ship operators.

Mr. KELLEY. Are there any other operating defects that might have been avoided by more attention to the operating side?

Mr. DENMAN. Yes; if they had compared the operation of Danish Diesel ships with their operation of steam vessels I would not be here talking to you about Diesels.

Mr. KELLEY. The Diesel ships are very expensive to operate, aren't they?

Mr. DENMAN. They operate at one-third the fuel cost of steam vessels.

Mr. KELLEY. The upkeep is very high, isn't it?

Mr. DENMAN. No; it is much less, or at least not more than in the case of steam vessels.

Mr. KELLEY. What about the initial cost of Diesels?

Mr. DENMAN. When you take the cargo-carrying capacity of a ship into consideration it is about the same per ton carriage; per ton actually carried it is about the same. That is the real question. If by paying a little more for your engines you do not have to push so much fuel around and you carry more cargo, that is the test. It is volume of cargo-carrying capacity or ton-mile per annum that determines the value of the results.

Mr. KELLEY. What other blunders of the Hurley administration have you in mind?

Mr. DENMAN. The blending of accounts.

Mr. KELLEY. What do you mean by that?

Mr. DENMAN. The mixing of operations with manufacture.

Mr. KELLEY. So that it is impossible now to tell from the books what the cost of operation was or what the cost of manufacture was?

Mr. DENMAN. No man could use the word "impossible" until he had been over the books.

Mr. KELLEY. I said from the books.

Mr. DENMAN. Well, I do not know that it is impossible because I have never seen the books.

Mr. KELLEY. Well, what harm had come from the mixing of funds?

Mr. DENMAN. The difficulty of determining what the vessels cost to build and what they cost to operate.

Mr. KELLEY. So that it is very difficult to tell about them now.

Mr. DENMAN. So that when you gentlemen very properly ask what did this fleet of 1,700 vessels cost, you can not get an answer. Then when you turn and ask, what does it cost to operate them, you still can not get an answer. It is now two years since the armistice.

Mr. KELLEY. And it is very difficult to determine, by reason of the commingling of funds of these two operations, what any ship cost for construction or whether or not it is making any money from operation.

Mr. DENMAN. It is difficult; yes, sir.

Mr. KELLEY. What other blunders were there?

Mr. DENMAN. I am exhausted.

Mr. KELLEY. Well, just one other sentence—and I think we will have to go over to the House pretty soon—that attracted my attention a good deal. In the same paragraph, Mr. Denman, you say:

Unconsciously he has contributed more to the success of our Scandinavian and British competitors on the seas than the most ardent of our few Anglo-un-American administrators during the war.

Do you mean by that statement that there were connected with the Shipping Board or Fleet Corporation at any time a few Anglo-un-American administrators?

Mr. DENMAN. That was the obvious import of what I said. I trust that you do not ask me for the list. I have been crucified so often for this lack of political sense to which I have referred, and for the advocacy to the public of my opinions, that, as I said the other day, you can slip the spikes into my palms without the use of a ham.

mer. The fact is that there was a hysteria that went over Washington that possessed men to desire to give to bleeding England anything she wanted.

Mr. KELLEY. Well, of course, there was more or less propaganda on both sides of that question.

Mr. DENMAN. I had experienced the propaganda.

Mr. KELLEY. I thought that was rather a serious allegation there, that there were un-American administrators, a few, connected with the Shipping Board. Of course, I will respect your wishes as to identities, but it caught my attention.

Mr. DENMAN. I will tell you my own experience as to what happened while I was on the board. But it will take some time.

The CHAIRMAN. Well, we have got to attend the call of the House, Mr. Denman. The committee will now adjourn until 9:45 o'clock to-morrow morning.

(Thereupon, at 12 o'clock and 20 minutes p. m., the committee adjourned until to-morrow, Wednesday, December 15, 1920, at 9.45 a. m.)

SELECT COMMITTEE ON
UNITED STATES SHIPPING BOARD OPERATIONS,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Wednesday, December 15, 1920.

The committee met at 9.45 o'clock a. m., pursuant to adjournment on yesterday, Hon. Joseph Walsh (chairman) presiding.

Also present: Representatives Kelley, Hadley, Foster, Steele, and Connally, the other members of the committee.

TESTIMONY OF MR. WILLIAM DENMAN—Resumed.

Mr. DENMAN. Mr. Chairman, I trust you will pardon my delay this morning, but Mr. Kelley asked me on yesterday for certain information in reference to organization and disbursements of funds, and I was unable until this morning to get hold of my secretary, Mr. James, who has been quite ill, and get from him the outline of the original scheme of the organization that we had in deetail.

In answer to the inquiry of yesterday by Mr. Kelley, I think I can give you a picture of the distribution of functions before we had our legislation from the Congress. They then followed the same plan which was afterward outlined in the executive order from the President that I drafted for him in June.

Under the act of September, 1916, fourth section, it is provided that the accounts of the Shipping Board should be audited by the Auditor for the State Department and auditors for other departments, and Mr. Soleau, whom I spoke of as the auditor, was the person in the Shipping Board connected with auditing; he was the disbursing officer and acted in cooperation with the auditor for these departments under the statute. Later, when the Emergency Fleet Corporation was formed a real auditor, as distinguished from Mr. Soleau, the disbursing officer, was employed by Gen. Goethals. I have forgotten his name for the moment—

Mr. KELLEY (interposing). Was it Mr. Bender?

Mr. DENMAN. Yes; Mr. Bender. And there was no statute controlling the functions of Mr. Bender. He was just the auditor, as any corporation would have its auditor for the purpose of auditing the corporation's accounts.

When we started repairing the German and Austrian ships in New York—and you will recall that my organization in New York for repairing and operating those ships was initiated on the day we entered into the war, April 6, 1917, and there as in other cases we moved rapidly—the funds that we used in that connection were funds that came from the President himself, and were administered and disbursed by the Shipping Board as distinguished from the corporation later formed; and those funds were handled by Mr. Soleau on the Shipping Board side throughout the time of my administration. I have not examined the records on that, but my recollection is refreshed and I am pretty clear there. The \$50,000,000 that we received under your congressional grant by the act of September, 1916, were used to purchase stock of the Emergency Fleet Corporation, and were disbursed by Mr. Soleau, disbursing officer of the Shipping Board, to the Fleet Corporation, where those funds came under the control of Auditor Bender.

Now, the system that was established by Gen. Goethals in the Emergency Fleet Corporation was, as I understood it, an ordinary business audit. I did not concern myself with that. Later, I think in the month of July, 1918, as a part, I think, of the emergency deficiency bill for the disposition of funds for the year 1919, there was a provision that the funds of the Emergency Fleet Corporation, being that fund appropriated for 1919, were to be administered under the regulations of the Secretary of the Treasury.

I think that answers the question that you put to me. Now, you asked me who was the treasurer of the Shipping Board.

Mr. KELLEY. Yes; who was the treasurer?

Mr. DENMAN. There was no treasurer of the Shipping Board, but there was a treasurer of the Emergency Fleet Corporation, and that was Mr. Stevens. Who succeeded him or whether there was a succession between Mr. Stevens and Mr. Bolling, I do not recall. I have not had time to go into the records on that for you. But that may be very easily shown by inquiry at the Shipping Board.

Mr. KELLEY. In arranging the duties of the treasurer, did you create an independent office or was it a sort of adjunct to the comptroller's office, or don't you recall?

Mr. DENMAN. By comptroller, do you mean Mr. Bender?

Mr. KELLEY. Well, whoever had charge of accounts.

Mr. DENMAN. My recollection is that the treasurer's duties were outlined in the by-laws of the Emergency Fleet Corporation, and I have not seen those recently. But the point I want to make there is that we, in the beginning made this separation of repair and operation of ships by the Shipping Board and the manufacture of ships by the Emergency Fleet Corporation.

Mr. KELLEY. One of the serious criticisms, Mr. Denman, that has been made of the organization in its earlier days is, that the treasurer was given but very little, if any, power and that the comptroller or auditor—whatever you called him at that time—had no check upon his handling of funds; that the money was in his hands; that in the

checking of it out the treasurer merely signed the checks; that the securities—Government bonds and whatever else was put up as collateral for the faithful performance of contracts—was in the hands of one department there, with no check against it by any other; and that as a result a good deal of chaos has come about in the accounts.

Mr. DENMAN. Now, we must get clearly in mind the fact that what was administered in New York and elsewhere, under me as the chairman of the Shipping Board—that is to say, operations and repairs—was presidential money flowing through the board and not the corporation, and was disbursed by Mr. Soleau under the audit required by the statute, section 4 of the act. There was never any trouble there on my side of it. Now, when you get over on the corporation side of it, the original idea of the Emergency Fleet Corporation was to make it a private concern for the purpose of rapidity of operation in getting of contracts and getting started in the business. If the methods of auditing and the methods of handling moneys there did not fit into the Government's scheme of auditing that is a question of administration detail that came under Gen. Goethals. Gen. Goethals had had great freedom on the Canal; he had direct methods—they were not the methods of public business operations—the whole desire being to get to the point and get things done. I am giving you the principles controlling him. Now, what was done there I do not know.

Mr. KELLEY. Whatever system of checks on the powers of the auditor or comptroller that were put into effect were matters under Gen. Goethals under the arrangement that you had at the time as far as the Emergency Fleet Corporation was concerned?

Mr. DENMAN. That is correct.

Mr. KELLEY. And any shortcomings in that system are not to be laid at your door?

Mr. DENMAN. Not at my door; and I do not want to suggest that there are such things, because the difficulties that later arose I think arose before Gen. Goethals had thoroughly adjusted his system to the rapid expansion of the work.

Mr. KELLEY. Criticism has been made that on the great work that you had started out upon the first thing that should have been done was to engage an expert accountant, or a firm of accounts of the highest standing in the country, to open up a set of books which would be adequate for those transactions and that that was never done; and that those who were engaged were people of ordinary ability; that this enterprise was to develop into an institution twice as large as the United States Steel Corporation, and yet no adequate system of bookkeeping was started, and as a result of that confusion has ensued from that day to this, all traceable to the fact that it was not properly done in your time, either by you or by Gen. Goethals.

Mr. DENMAN. Well, I assumed that Gen. Goethals—who had built the largest enterprise in the world at that time, and who was my choice, for I was responsible for Gen. Goethals being there more than any other person—I assumed that as he had been the administrator of the largest enterprise in the world up to that time of a constructive character difficulties of this kind would be solved, either when he came in or in the process of his administration.

Mr. KELLEY. Your whole plan was the idea of segregating construction from operation, and that you were heading into the operating division and that Gen. Goethals was heading into the construction division.

Mr. DENMAN. That is correct; although I had to face the Congress on appropriations, and I agreed with Gen. Goethals that I would save him, as far as possible, from congressional contact. To do this I had to know something that was going on on the construction side, in order to meet the congressional committees. But so far as interfering with the system of manufacture, or organizing or assisting in organizing the actual work, that was not my function.

Mr. KELLEY. What special value was there to have you sign those contracts?

Mr. DENMAN. I do not believe there was any value in that at all, except that it made certain that I would be able to gather the necessary information. It could have been as well done by a summary of the contracts sent in to me.

Mr. KELLEY. But it put you in position to stop any particular transaction if you saw fit.

Mr. DENMAN. I do not think I had that in mind, or that any of us had that in mind. When those original by-laws were drawn they were drawn, as I recall it, by Mr. Joseph Cotton, who was under Gen. Goethals, and they came up to the board in that form.

Mr. KELLEY. In the question of making a contract with a new corporation, a new shipbuilding company, one which had no plant and where the Government had to put up the money to build it, do you recall whether there was any provision in those early contracts which would safeguard the Government against excessive salaries being paid by those new concerns, or whether or not mortgages were taken upon the plants which the Government's money had resulted in building?

Mr. DENMAN. No; that was a matter of administrative detail I was not concerned with.

Mr. KELLEY. That would be more than ordinary detail, wouldn't it?

Mr. DENMAN. That would have to vary with—

Mr. KELLEY (interposing). It seems to me that that would be a general policy that the chairman of the board ought to be familiar with—how to protect the Government against possible loss where large sums of money were put into the hands of inexperienced people in the shipbuilding business.

Mr. DENMAN. There is no question about the importance of that; there is no question about the necessity for safeguarding that situation.

Mr. KELLEY. But you do not know whether that was done?

Mr. DENMAN. That was not my function, sir. And as it was, the country was clamoring and the Congress was clamoring because of my alleged interference with Gen. Goethals's administration there. It was to be a canal job by him, a great big sizeable thing that would just move along with the titanic energy of that good gentleman, and other persons were not to interfere. That was the conception; and it was a conception to which the Congress and the country seemed to give its approval.

Mr. KELLEY. Then if contracts were made at that time without protection to the Government against the payment of excessive

salaries, and without protecting the Government's investment by taking a mortgage upon the plant that the Government really erected, that was not your fault?

Mr. DENMAN. That was not my fault.

Mr. KELLEY. That went to Gen. Goethals.

Mr. DENMAN. Gen. Goethals is the man, but if he had made a mistake with a contractor and it came to light as the business developed, he would have taken the contractor into his office and something would have happened to that contractor so that he would have had to correct the mistake. His was an extraordinarily powerful personality. And while my contact with Gen. Goethals until the session of the last day was one of the most amicable that I have ever known and ever had in business, yet I know that when he put his hand upon a contractor that he desired to shape the conduct of, he usually got the results he desired.

Mr. KELLEY. Are you familiar with the Pacific Coast Shipping Co. out in San Francisco?

Mr. DENMAN. I am not familiar with it, but the yard that I market our lumber through immediately adjoins that plant.

Mr. KELLEY. What is the name of that yard? I remember that yard up there.

Mr. DENMAN. The Coos Bay Lumber Co. In this connection I would like to say that we were speaking on yesterday of my connection with the lumber business, and I want to explain that I was not connected with the lumber business prior to joining the Shipping Board, except that I acted as counsel for one company in cleaning up certain land titles. This Coos Bay Lumber Co. made a contract for the furnishing of ship timbers at the time that I was on the board at a price considerably——

Mr. KELLEY (interposing). What you are saying has nothing especially to do with this inquiry, except to say that you were not connected with the lumber business at the time.

Mr. DENMAN. No; but I have since been operating a lumber business, which I am doing as receiver for the United States district courts in Oregon and California.

Mr. KELLEY. But that would not be a matter of any public interest, would it?

Mr. DENMAN. Unless you desire to know whether I am qualified to speak on the question of handling raw and manufactured materials in large quantities.

Mr. KELLEY. We will assume that you are qualified to speak on anything you think you are qualified to speak on.

Mr. DENMAN. You are very courteous.

Mr. KELLEY. Do you know Mr. Burgess?

Mr. DENMAN. Yes, sir; I have known him casually for a great many years. He is a promoter, and has promoted and promoted.

Mr. KELLEY. Did you sign that contract?

Mr. DENMAN. No; that came way after my time. I have seen that plant at work. I was by there about three weeks ago——

Mr. KELLEY (interposing). Is Mr. Burgess a man of sufficient shipbuilding ability that he ought to be paid \$25,000 a year salary?

Mr. DENMAN. I do not believe he has had any shipbuilding experience.

Mr. KELLEY. Do you know Mr. Scott, out there, connected with the same company?

Mr. DENMAN. I have met Mr. Scott casually. He is a shipbuilder.

Mr. KELLEY. He drew \$25,000.

Mr. DENMAN. He is worth it, I think, as salaries go for large executives.

Mr. KELLEY. This was not a large project, was it?

Mr. DENMAN. I have forgotten the amount involved; but a good many millions of dollars, I believe.

Mr. KELLEY. There were four or six ways.

Mr. DENMAN. That is a big project. It would not seem so in comparison with some other yards out there, but, of course, we produced more ships on the Pacific coast than they did on the Atlantic coast, as you will recall.

Mr. KELLEY. They did not produce many of them at this place.

Mr. DENMAN. No; those ships seemed to stay there at the place where they were put in with extraordinary permanence, although he has gotten out, I think, two or three ships.

Mr. KELLEY. What salary did you pay Mr. Radford at the time he was connected with the office down there?

Mr. DENMAN. He was under Gen. Goethals, if in our time. My impression is that he came in after my time, but, at any rate, he was under the Emergency Fleet, and that was under Gen. Goethals.

Mr. KELLEY. Did he get as much as \$15,000 a year?

Mr. DENMAN. I am certain he did not, but that, as well, is a statement made without looking at the books.

Mr. KELLEY. There seemed to be nothing to protect the Government against paying Mr. Burgess \$25,000, and Mr. Scott \$18,000, and Mr. Radford \$15,000, and a man by the name of Seagrave \$12,000 a year at that plant out there.

Mr. DENMAN. There would be no way by general provision in the Emergency Fleet Corporation of determining what the salaries should be on any individual enterprise. And you would have in each case to determine the situation. For instance, suppose now you had a community that had labor in it and where you wanted to put a shipbuilding plant in war time, and you had everything but a certain type of manager, and there was tremendous competition to get that type of fellow. You might have to pay a \$10,000 man \$25,000 to get him, and he might be the very key to the whole situation. You could not lay down a general rule to cover those things. It has got to be a determination on the average enterprise, if you do that, and they all vary and are not uniform. On the other hand, you could certainly lay down a rule that the salaries should be viséed and not be beyond a certain point for the enterprise that you are financing. That could be done, but there could be no way of starting out and saying, "We will pay nobody more than \$5,000 or \$50,000, or whatever your figure might be, for all the plants."

Mr. KELLEY. No; but shouldn't there be some provision in the contract which would require the O. K. of somebody at this end of the line as to salaries, especially if the parties out there had had no experience whatever in shipbuilding and were not putting any money to speak of in the project?

Mr. DENMAN. Well, I have already expressed my opinion as to intrusting Government functions to nonshipping and nonshipbuilding persons.

Mr. KELLEY. Whatever trouble there was about that it was a matter with Gen. Goethals anyway?

Mr. DENMAN. Gen. Goethals had nothing to do with this specific Pacific coast plant. Its contract came later.

Mr. KELLEY. It was on the other side of your organization?

Mr. DENMAN. Yes; it was on the Emergency Fleet side.

Mr. KELLEY. I suppose that in the case of these general contracts the methods of handling the business that were started in your day were probably continued along under your successors.

Mr. DENMAN. No; I think not. I think there were quite radical changes made after Gen. Goethals's time.

Mr. KELLEY. For the better?

Mr. DENMAN. The difficulty there is that these contracts were governed by the condition of the individual yard, and there were different enterprise conditions; and to say that one was better or that all were better is a question of examining the one and then examining all and then passing on them, which I have not had the time to do.

Mr. KELLEY. In your judgment should Mr. Burgess have had a contract for building ships for the Government?

Mr. DENMAN. No; I would confine Mr. Burgess to the operation of promoting land sales.

Mr. KELLEY. He was a real estate agent out there?

Mr. DENMAN. Yes; he was one of the few we have in northern California. We import them from the south.

Mr. KELLEY. Was his credit at the banks ample?

Mr. DENMAN. I couldn't tell you about that, but he must have had credit because he floated so many real estate schemes.

Mr. KELLEY. Do you know whether he put a mortgage on this plant that the Government built out there of several hundred thousand dollars?

Mr. DENMAN. I do not know. The reason I spoke of the Coos Bay Co. is that before the time I was receiver it owned the town of Bay Point, and the streets were laid and sewers were in the town and it was an admirable place to expand buildings for the laborers at the plant. Now, the Coos Bay people offered to go ahead and build at this town right alongside or near to the shipbuilding plant. But Mr. Burgess managed to get a town called Clyde——

Mr. KELLEY (interposing). Back in the country 12 miles?

Mr. DENMAN. About 2 or 2½ miles. There he built a beautiful village there that, as you look at it, either scars or adorns the landscape with an extraordinary variety of paints.

Mr. KELLEY. Who put up the money to build it?

Mr. DENMAN. I am sure that Mr. Burgess did not; quite likely the Government.

Mr. KELLEY. Quite likely the Government?

Mr. DENMAN. Well, I do not know.

Mr. STEELE. Does the witness know about these things?

Mr. KELLEY. If he doesn't I do.

Mr. STEELE. The witness is talking now about things that took place after he left the Shipping Board.

Mr. DENMAN. This is property that I am familiar with. And we take judicial notice of Mr. Burgess in California.

Mr. KELLEY. You do not know whether the money for the town built up in the country was put up by the Government or not?

Mr. DENMAN. No; it was only statements of Shipping Board administrators that led me to believe that. I want to thank Mr. Steele for his suggestion; I am not in a position to testify in regard to that.

Mr. KELLEY. Do you remember the hotel built at the beautiful little town of Clyde?

Mr. DENMAN. Yes. I was very much disappointed, as receiver of the lumber company, that that had not been built in Bay Point.

Mr. KELLEY. But it is too far back in the country to be of much use to you in Bay Point?

Mr. DENMAN. Yes.

Mr. KELLEY. You are interested in that locality and I want to ask you, on what theory would the Government build a town back so far away from the seaboard?

Mr. DENMAN. On the theory that mosquitoes were thicker in Bay Point than in Clyde. This was disputed by the leading citizens in Bay Point, but the argument as to the preponderance of mosquitoes seemed to be decided against that town. [The members of the committee smiled at this statement]. Gentlemen, I am speaking seriously of this. This is what happened. I know it though it was before I took charge of the Bay Point lands.

Mr. KELLEY. Did Mr. Burgess have an option on the land where Clyde was erected and not on the land down by the seaboard?

Mr. DENMAN. He did not have it on the land by the seaboard.

Mr. KELLEY. And you do not know whether he had it on the land where the town of Clyde was built or not?

Mr. DENMAN. I think that was a part of one of his promoting enterprises.

Mr. KELLEY. Perhaps that had something to do with the claim about mosquitoes.

Mr. DENMAN. That option was not an argument urged upon the Government.

Mr. KELLEY. One important statement you have made I think, from the standpoint of the public good, Mr. Denman, if you are correct about it, is that American shipping is handicapped, or has been, by interference of foreign interests in the handling of our ships and in the building of our ships, and that that interference is in the nature of officials connected with the Shipping Board who were subject to foreign control. I wondered if you could give the committee any further light on that proposition, because it is rather a serious one, and the country ought to know if there is anybody entrusted with the building up of our merchant marine who is controlled by foreign financial interests.

Mr. DENMAN. I can not tell you as to the present organization of the Shipping Board, I mean the organization of its employees. What I do know is that I had a great deal to do with Admiral Benson during the time that we were harmonizing the activities of the Navy and the Shipping Board. You need have no fear about Admiral Benson's true Americanism, and he is an admirable cooperator, and was during those early and very trying days. But I can give you an

incident of my administration which shows what can be accomplished. How it was accomplished I do not know to this day. In the month of April, after the arrival of the British commission, I was in the office of the Shipping Board here in Washington one day, up to the noon hour, and went out for a conference with some of those New York shipping advisers at luncheon, expecting to return about 4 o'clock. We then had this ship administrative board in New York, which had not begun to function on the operation of ships, because we had none, except, I think, possibly one German ship that had been repaired. We were very anxious to organize that committee on a purely American basis and not insert any British or other administrators until we had got it in satisfactory form to ourselves.

When I returned to the office of the Shipping Board, between half past 3 and 4 o'clock, the following had occurred: A meeting of the board had been held; three or four visiting members of the commission had been present at the meeting; a resolution had been passed making Mr. Connop Guthrie a member of our New York shipping committee, and it was in the stenographer's notes in that form. I had never heard anything about it before the meeting, and I did not know anything about it until I returned from that conference. When I came in Mr. Brent said to me, "I do not know how we did this—"

Mr. KELLEY (interposing). Who said that?

Mr. DENMAN. Mr. Brent. He said, "I do not know how we did this." And then there was a session of the board held—and it was a very, very warm session of the board—and within 20 minutes that was wiped out. Now, how, between 12 o'clock and half past 3, those gentlemen got there, and the session was held, and Mr. Connop Guthrie was placed on this group of administrators we had in New York, I do not know. I can tell you how he was taken off.

We did want this cooperation with the British to be worked out. We did ultimately have the same gentleman—not in my time, but later on—the same gentleman in cooperation with this board in New York. But the point was that we then had no ships to operate and had not gotten things started ourselves in the form that we wanted it; we had not had our conferences with the visiting commission; we were still up in the air as to what we were actually going to do. I looked upon it as extraordinary; in fact, as I look back upon all the extraordinary and significant things of that month, that seems the most important to me, more significant even than this matter of the Cunard ships.

You asked me on yesterday what my delegation of authority was in regard to the conference. I have here a copy of the outline of the conference and its members, given me by the State Department. It is as follows:

SHIPPING—ECONOMY AND SUPPLY.

Subjects:

- (a) Requisitioning of shipping.
- (b) Disposition and best use of available ships. (Coastwise trade, etc.)
- (c) German ships in United States ports.
- (d) Austrian ships in United States ports.
- (e) Enemy ships in neutral ports.
- (f) Shipbuilding in United States yards and elsewhere. (Supply of steel and other materials.)
- (g) Ships under construction for Allies and neutrals.
- (h) Employment of neutral ships not at present in allied trades.

British negotiators:

Mr. Balfour.
 Sir G. Foster.
 Sir R. Crawford.
 Admiral de Chair.

United States conferees:

Secretary of State.
 Mr. Polk.
 Mr. Denman.
 Secretary of Commerce.

Now, in the course of that conference there were certain phases of it that approached the realm of the secret treaties affecting Shantung. My activities in that connection had, in my opinion, more to do with my departure from the Shipping Board than any other source of influence which, indirectly but powerfully, may have been the cause of my not being able to carry out my policies myself. If you can obtain the permission of the President—which I have always procured prior to any statement that I have made concerning my activities in his behalf—I believe that one of the sources of interference with my administration as chairman of the Shipping Board may be clearly disclosed.

Coming back to the subject of motor ships and the causes of foreign propaganda against them, you will recall that Great Britain was a coal-burning nation prior to the Great War and did not possess any great oil fields. British shipping has always been closely coordinated to British raw materials. The Burmeister and Wain Diesel patents were, however, being used in the Harlan & Wolff yards prior to the war, and during the war they produced a number of these large Diesel ships. In my testimony on yesterday it appeared that the British Diesel plants were turned on submarine construction. The Harlan & Wolff plant—in which Lord Pirrie has the interest I have spoken of—however, continued to build large-size Diesel-motor cargo and passenger ships during the war. Since that time, with the Mesopotamian oil fields in sight and now apparently in hand, has come an enormous stimulation of internal-combustion oil engines construction in Great Britain, producing the activities shown in the partial list of ships which I gave to you yesterday and which I trust will appear in the record. The long voyages of the Danes and Swedes and Norwegians are like ours in America. That, as I say, developed the Diesel long prior to this, and I now will read a short excerpt from a very voluminous writer on shipping matters, which you will find pertinent.

The CHAIRMAN. I know that we might find a whole library full of documents pertinent on the matter, but we can not continually fill up our record with excerpts, it seems to me, from various documents. We are asking for your views. You have expressed them pretty fully and submitted documents which are in the record here, and, besides, the matter to which this is directed is more a legislative proposition, which should properly go to another committee of the House.

Mr. DENMAN. I quite agree with you that I should not go on and on and on, but this happens to be Mr. Hurley, and it happens to show what Mr. Hurley recommends, and also shows what he knew in August, 1917.

Mr. STEELE. Is that an excerpt from his book "The New Merchant Marine"?

Mr. DENMAN. It is. I want to show that the vessels that he recommends as his type to-day are vessels of 1912 and 1913. It is very short:

Close in the wake of this first bold venture came the *Salandia*, engine by Burmeister and Wain, in 1911.

The *Salandia* is the first vessel in that group of pictures of 21 ships that I handed to you the day before yesterday.

This vessel is a 7,400 dead-weight ton cargo ship, driven by twin screws, each shaft being fitted with an 8-cylinder, 4-cycle, directly reversible marine Diesel motor of 950 brake horsepower. The vessel had been engaged in long voyages between Europe and the Indies in the service of the East Asiatic Co., and her performance has been so highly satisfactory that several hundred seagoing motor ships that have followed her in the service have been designed and engined in substantially the same way. There has been a tendency to larger cylinders with 4 cycles, but almost every improvement in the marine Diesel has been in mechanical betterment of parts. * * * An excellent and very full idea of the comparative economies of the steam engine using coal fuel and the Diesel motor using any of its wide range of oil fuels, may be had from the following extracts taken from the engineer's log book and to vessels in the employ of the same company engaged in making the same voyage.

Then follows a description of the vessels and the items of engine performance, showing a saving of 3 to 1 over coal. Now, this is a typical vessel, which is the basis of Mr. Hurley's conviction that we must go to the building of motorships. Astonishing to say, it exactly fits the *Siam*—410 feet long, 55 feet wide, 30 feet deep, dead weight carrying capacity 9,500 tons, and speed 11.14 knots. The *Siam* was the vessel that sailed into San Francisco in 1913, and the *Siam* followed the model of the *Salandia* and the hundreds of vessels Mr. Hurley described. Already had a very large number of them been built when I turned the project over to him.

Now, Mr. Kelley, you asked me on yesterday whether or not if the contract from the Cramps group was examined by Mr. Hurley in January, 1918, if that contract at that time would have been of any value to him?

Mr. CONNALLY. I would like to ask you a question with reference to the Hurley quotation which you say was from his book. When was the book published?

Mr. DENMAN. Recently.

Mr. CONNALLY. Why did you make the statement that the quotation would show what Mr. Hurley thought about the subject in 1917?

Mr. DENMAN. Because I told him this.

Mr. CONNALLY. But your telling him that does not appear there from the quotation from the book.

Mr. DENMAN. No; but I am showing the identity of my statements in 1917 with Mr. Hurley's statement in 1920.

Mr. CONNALLY. Do you think it hardly fair to say that you are quoting from a book, which was published in 1920, which would show what Mr. Hurley knew in 1917?

Mr. DENMAN. If you got that impression I am sorry.

Mr. CONNALLY. I think you gave it, and I think the stenographer's notes will show that way.

Mr. DENMAN. If I gave it that way I am glad you called my attention to it. The fact is that this statement is my statement in 1917 in form.

Mr. CONNALLY. But it is not shown in the book or written form.

Mr. DENMAN. What is here stated in Mr. Hurley's book in 1920 is a reproduction of our discussion in 1917. Mr. Walsh, on yesterday you were asking me about the contract proposed with the Cramps group, and our discussion at a luncheon, Mr. Hurley gave me, early in 1918, of the Cramps contract. At that time he could not have availed himself of it because when the contract was not taken up by

our successors the Navy came in and took up practically all the constructive capacity or activity of the Cramps plant.

The CHAIRMAN. For Diesels?

Mr. DENMAN. It was Navy construction. I can not tell you about Diesels. I think it was for steam, and that the Delaverne Diesel plant was not, as I understand it, acquired by the Cramp ship-building people, although I may be mistaken about that. The point is that the licenses of the Cramps were not utilized even early in 1918, nor were they utilized after the armistice, nor were any of the hundreds of steel contracts for cargo ships—for hulls I am speaking of now—let for the Diesel form have these other large Diesel plants that could have manufactured under the Cramp license or the Werkspoor license, or any other license utilized for making commercial Diesel engines, but instead some of them were converted into the manufacture of steam engines.

Mr. Kelley on yesterday asked me whether or not the operations of the Diesel engine in commercial carrying ships was a more or a less expensive operation than a steam vessel burning oil under the boilers in the form of propulsion, and I gave him my opinion. I have here the opinion of about 25 of the more important shipping men of the world, English and American and Scandinavian, on this subject, which answers that question:

The future of the motor ship is exceptionally brilliant.—Sir George B. Hunter.

The CHAIRMAN. How authentic are those?

Mr. DENMAN. They appear in this technical journal *Motorship*, and I imagine will not be questioned. They include Admiral Lord Fisher and the whole group of men who have been for years prognosticating, and many of them manufacturing Diesels. Sir Marcus Samuel, who is engaged very largely to-day, and has been during and since the war, in the manufacture of Wurmeister and ——— in England, makes a statement concerning their economies.

The Diesel oil engine is much more economical than the ordinary method of driving ships. You can't compete with foreign competitors on any other basis.—Admiral W. S. Benson.

I would like to see 200 American motor ships of 10,000 tons and 14 knots speed in service. Ship owners who are building steamships now will soon wish they had'nt.—Edward N. Hurley.

It behooves us to economize in the use of oil in every possible way.—Prof. B. E. Armstrong.

The coal-fire boiler and the steam engine have seen their best days, and in a short time may be on the scrap heap.—John Lockie, editor *Steamship*.

The fuel economy of the motor ship makes her cheaper to operate than the steamship in spite of greater investment charges.—Dr. Chas. E. Lucke.

We in Norway are convinced of the superiority of the motor ship.—Thor. Thoresen.

In a few years every shipbuilding concern in America will be devoting all its activities to building motor ships.—Geo. A. Armes, Union Iron Works.

The economic ship should have Diesel engines instead of either coal or oil fired steam engines.—Sir J. H. Biles.

Oil-fired boiler installations are a terrible waste of fuel.—Ernst A. Heden.

The editorials in *Motorship* are along the line of my sentiments and I'm glad to see you push the matter so hard.—Representative G. W. Edmonds.

You are in a splendid position to emphasize the advantages of the Diesel engine to American shipowners in their world-wide shipping competition.—Arthur M. Harris.

I have no reason to doubt the advantages of the motor ship. All the evidence is one way.—Admiral R. E. Coontz.

The marine oil engine is comparable in its importance with the introduction of the steam engine by Watt.—Lord Weir.

Steam-driven freighters will find it difficult to compete with Diesel-engined vessels. Builders on the Continent are fully alive to the vast amount of business that

lies ahead in the converting of the steam-driven mercantile marine to motor power.—Editor Liverpool Journal of Commerce.

There should be justification shown for the construction of any oil-burning ship which does not use an engine of the Diesel type.—Ex-Secretary of the Interior Franklin K. Lane.

The Diesel motorship is the freight-carrying vessel of the world for economy.—Frank C. Munson.

The necessity for economy is ever more urgent owing to the high cost of coal and oil.—Alexander Cleghorn.

You were asking me whether there has been any place in which this project in our time had been laid down as a matter of policy, and I am now quoting from the records of the Shipping Board:

Minutes of a special meeting, Wednesday, July 19, 1917.

The CHAIRMAN (Mr. Denman). I desire to say, General, that as to the proposals of the Cramp people as to the construction of Diesels, that that is the beginning of a great project, a project which involves the use of the Diesel motor ultimately as a substitute for steam. I happen to be familiar, and have been for some time an attorney for a company operating a fleet of Diesels between Scandinavia and California, with some of the details of their use and their value, and know some of the possibilities of their development.

* * * * *

In view of the fact that it is not a simple contract, but the beginning of a great project, I desired to have the Shipping Board present so that they could sit and consult with the various persons engaged in the project, get information and put questions, so that if they have any suggestions floating out of their experience and mine which is not entirely negligible they could, after consultation with you, work out the project in full.

* * * * *

The CHAIRMAN (Mr. Denman). We may also want to discuss the question whether or not the contract with these gentlemen for the development of the thing should be along the lines of Government ownership of the license, or Government ownership of the Diesel plant itself, just at you are going to make this fabricating ship plant.

After I retired from the board—

Mr. FOSTER (interposing). May I ask right there, how soon did you retire after the day on which that meeting was held?

Mr. DENMAN. On the 24th.

Mr. FOSTER. This was on what day?

Mr. DENMAN. The 19th. After I retired from the board I prepared a statement, which was read into the records of the Senate, as follows:

The Shipping Board had other constructive policies, both to meet war need and for the upbuilding of our mercantile marine, which it was framing, always acting under the pressure of the consciousness of the submarine menace and always under the necessity of creating a new branch of its organization as its functions were increased. A brief review of these policies may not be amiss:

1. The control and reduction of freight and charter rates. This required the commandeering power, which was not delegated to us until July 11, and cooperation with the Allies. Negotiations had progressed to the point where the plan could have been put in operation in a very short time after granting the power to commandeer. Quick relief was essential.

2. The commandeering of all our tonnage, with its continued operation for Government account, but in the hands of the private owners and, as far as possible, consistent with war needs in its former routes, carrying materials for our basic war industries.

3. The carrying out of the agreement made in June between the owners and seamen for a calling back to the sea of the large body of seamen on shore and fixing wages and bonuses during the war.

4. The chartering and control of neutral tonnage to serve the common war need.

5. The inauguration of the building of a Diesel motor-driven fleet of merchant ships of the Norwegian *George Washington* type, which, with the great saving in fuel and cargo space, wide sailing radius, and reduced labor cost, would free us from bunker control of other nations and give us a dominance in maritime carriage after the war.

That brings us to the subject of bunker control and how it was exercised on American ships before I became chairman of the Shipping Board and afterwards. The bunker control was exercised by the British Government, acting through its diplomatic representatives in the United States, and also through its consular representatives. An American fleet of vessels would have one ship in a British bunkering station, and be required, before it was permitted to obtain its bunker coal and sail away, to sign an agreement, through the management of the company, whereby the ship was to do certain things agreeable to the British war policy. The Pacific Mail Steamship Co. had a vessel in England and was compelled to sign one of those agreements before they could get her out.

Mr. KELLEY. Did that come to your knowledge as chairman of the Shipping Board?

Mr. DENMAN. Yes, sir.

Mr. KELLEY. Is there any record of it in the board?

Mr. DENMAN. I have a copy of the bunkering agreement, that was given to me by Sir Richard Crawford on my request, to learn what had happened to the Pacific Mail Steamship Co. This agreement provided, amongst other things, and we were then a neutral, that the American company's ships—not one of the fleet, not the particular ship that needed the bunkers, but any one of the fleet of that company—should carry no enemy of Great Britain on her. That is to say, our then neutral associates in the family of nations—the Bulgarians, Austrians, Germans, and the Turks and all countries at war with Great Britain—that no national of those countries should be carried on a Pacific Mail Steamship Co. ship, between, say, Manila and San Francisco, or between San Francisco and New York or any other American ports, or any other port in the world.

Mr. KELLEY. Great Britain was at war?

Mr. DENMAN. Oh, yes; she was at war. Mind you, when my administration developed I had in mind the same character of control. But the point I am making is, how it is done, so that you may have a picture here, and the members of the Congress may have a picture, of how these agencies may be utilized when you come into commercial or any other conflict.

Take the Jones bill, for instance, and it would be entirely proper, I mean legally proper, as a reprisal, for the business interests of Scandinavia or any other interests controlling coal bunkers to say: "We will not bunker a ship that under the provisions of the law of its flag has exceptional benefits from the Governments that are discriminating against us. That is the picture that I want to draw, but I am not trying to discuss the morals of it. The motor ships have a radius of 25,000 to 30,000 miles; they free you from bunkers.

Now, as to how many of those agreements were signed in all, I do not know. I understand that every fleet in the United States was compelled to sign one if they had a ship which wished fuel. The remark concerning bunkers is in explanation of the last sentence of my project as outlined to the Senate.

I was asked on yesterday about motor ships being constructed in this country. There are to-day 11 motor ships, aggregating one hundred and twenty and odd thousand tons, being built in America; and they, of course, are the beginning of many more to follow. Mr. Schwab is building four of about 20,000 tons' dead-weight capacity.

Mr. STEELE. Each one?

Mr. DENMAN. Yes; each one. That shows how the powers have developed since the 10,000-ton ships in my time and in Mr. Hurley's time. The 10,000-ton ships was what is regarded in a way as the unit of tramp cargo carriers. Two are being built for the American-Hawaiian Steamship Co. by the Cramps. Those I think are 12,000 tonners. Another is being built for the Alaska Steamship Co., but I have not got the size of that. Two are being built for the Standard Oil Co. of California. One is being built for the Submarine Boat Corporation.

In this connection I want to speak of the attitude of certain oil companies toward the Diesel motor ships which would cut down to a third the marine market for fuel.

Mr. CONNALLY (interposing). Mr. Chairman, I want to object right here, and ask how far is the committee going to pursue the Diesel proposition?

The CHAIRMAN. It seems to me that those matters are subsequent to the administration of Mr. Denman and his successors. I do not quite see the pertinency, except the fact, which appears, that they are building Diesel ships now. I do not know that we care anything more about that. This whole Diesel proposition, or a goodly portion of it, Mr. Denman, as you have testified about it before the committee, of course, is not strictly within the jurisdiction of this committee. You have explained very fully, and gone into the matter very fully, but there is a vast amount of it that does not come within our jurisdiction. You have brought out the fact that this proposition was under consideration at the time you resigned, and that a contract was practically to be signed and was not signed, and that it was feasible, according to your view; and I understand that Diesel ships are being built at this time.

Mr. DENMAN. That is in pursuance of the question put to me on yesterday.

The CHAIRMAN. I do not know who asked any questions which make what you are about to say responsive. I have no doubt that this information may be valuable or perhaps may be considered pertinent by some other committee, but you understand that this is not a legislative committee, and I do not think we ought to pursue the subject beyond the point that you have, I think, very fully developed; namely, that this matter was under consideration by you as chairman of the board; that the most of the details had been arranged; that a contract had been practically prepared and was being taken up with a view to signing it, and was handed down by you to the subsequent administration, but nothing was done by them.

Mr. DENMAN. I think you have been very generous with me, Mr. Chairman, in allowing me to expand.

The CHAIRMAN. We endeavor to give every witness a chance to make whatever statement it is his desire to make, but of course you must appreciate that there are limits within which the investigations of this committee must be confined, and, as Mr. Connally suggests, I do not quite see that we would be justified in pursuing it any further along the apparent lines of your statement just now made.

Mr. DENMAN. To briefly explain that, Mr. Kelley, on yesterday, asked me about relative costs.

The CHAIRMAN. Well, you have given them to us.

Mr. DENMAN. And I am quite certain that Mr. Kelley had in mind a statement that emanated from one of the employees of the oil company; but there is no need for going into that.

The CHAIRMAN. You have furnished us a list that developed the cost.

Mr. DENMAN. All right.

The CHAIRMAN. Have you any questions, Mr. Steele?

Mr. STEELE. Just a few. Mr. Denman, awhile ago you stated that you severed your official connection with the Shipping Board on July 24, 1917. Were you connected in any way with the Shipping Board subsequent to that time?

Mr. DENMAN. No, sir.

Mr. STEELE. Then did you have any means of knowing what their transactions were after that time; that is, in an official way or by any connection with the board?

Mr. DENMAN. I had various consultations with members of the board, and some of them were good enough to seek my advice, and some got it gratis.

Mr. STEELE. After your connection with the board ended, did you remain in Washington?

Mr. DENMAN. I was here for about three weeks. I wrote a letter to Mr. Hurley, advising him that I desired to lay before him these projects.

Mr. STEELE. That is, the Diesel projects?

Mr. DENMAN. And the division of accounting, and——

Mr. STEELE (interposing). I understand that you live in San Francisco?

Mr. DENMAN. Yes, sir.

Mr. STEELE. That is your home?

Mr. DENMAN. Yes, sir.

Mr. STEELE. It was then and is now?

Mr. DENMAN. Yes, sir.

Mr. STEELE. And I suppose after you severed your connection with the Shipping Board you returned home.

Mr. DENMAN. No; I was here for four months in the spring of 1918, in connection with certain litigation I had here, and during that time I was in constant conference with different persons connected with the Shipping Board. I have visited Washington and consulted with board members twice besides.

Mr. STEELE. That is, as to general policy, etc.

Mr. DENMAN. Yes, sir; as to general policy.

Mr. STEELE. You did not keep informed as to details?

Mr. DENMAN. Oh, no.

Mr. STEELE. So that anything that took place after that as to detail matters of accounting and things of that kind you have no official knowledge of them?

Mr. DENMAN. Not as to details of accounting, but the general policy being pursued was known to all of us.

Mr. STEELE. On yesterday you placed in the record a list of the ships being constructed in Great Britain of the Diesel type.

Mr. DENMAN. Yes.

Mr. STEELE. Were they constructed under Government or private management?

Mr. DENMAN. I think nearly all of those were under the—those now being constructed are under private management, but during

the war all shipping in Great Britain, as it was in the United States, was under Government control. Lord Pirrie, who is constructing them, was British comptroller of shipping.

Mr. STEELE. That list is made up of ships under private management?

Mr. DENMAN. Yes, sir.

Mr. STEELE. You also referred to having obtained a license with reference to the Diesel engine.

Mr. DENMAN. I obtained it in this sense, that I got the Cramps to make a tender of the license that they already had, in connection with the contract.

Mr. STEELE. The Diesel engine had been patented, had it not?

Mr. DENMAN. Well, there are a great many patents. The original patent of Mr. Diesel had expired, but the idea had been appropriated to many forms of propulsion, and this particular one that was chosen by Lord Pirrie, who was the master of English shipping during the war and was had by the Cramps, was the one I chose.

Mr. STEELE. Has that been patented in this country?

Mr. DENHAM. I presume it has, but I do not know.

Mr. STEELE. It was from the Cramps that you obtained this license that you speak of?

Mr. DENMAN. I obtained it in the sense that I got the Cramps association to offer to build it.

Mr. STEELE. On yesterday you referred in a general way to the British having acquired control of the Mesopotamian oil fields. Prior to that what was the comparative production of oil in the United States and Great Britain?

Mr. DENMAN. I can not give you the figures, but it was overwhelmingly in favor of the United States.

Mr. STEELE. As a matter of fact we export large quantities of oil, do we not?

Mr. DENMAN. Oh, yes. Our supply is being drained by British fuel consumption in ships to-day and other ships—Scandinavian and the whole group.

Mr. STEELE. But the whole matter is under the control of this country as far as surplus production is concerned?

Mr. DENMAN. That is quite correct—well, I disagree with you, and will correct that by saying it is within the United States, but not under United States control.

Mr. STEELE. Well, it could be in time of war.

Mr. DENMAN. Yes. But not now when it is being drained for our competitor's benefit.

Mr. STEELE. In discussing your original organization, Mr. Denman, you stated that you believed in division of responsibility.

Mr. DENMAN. Division of functions and responsibility over them.

Mr. STEELE. In your scheme of organization which you outlined here, then, each particular division was confined to its own work.

Mr. DENMAN. Well, two grand divisions were all I spoke of. That is, operations on one side and manufacture on the other.

Mr. STEELE. During your administration did you ever take cognizance of any other department of the Government at all?

Mr. DENMAN. Any other department of the Government?

Mr. STEELE. Yes. For instance, in your division as to the carriage of materials did you take into consideration that the Army or the

Navy Department or the War Department might be interested in the transportation of that particular article?

Mr. DENMAN. Yes. During those weeks in which I said I was very rarely at the actual detail administrative meetings of the Shipping Board I was in constant consultation with Secretary Baker and Admiral Benson, and both of these gentlemen lent their cooperation, as well as did their subordinates, toward getting a uniform scheme for the control of shipping.

Mr. STEELE. That was with reference to the organization.

Mr. DENMAN. Yes; that was with reference to the organization.

Mr. STEELE. So far as Army affairs were concerned, that was left to the War Department, and so far as naval affairs were concerned that was left to the Navy Department.

Mr. DENMAN. Yes, sir; but in coordination.

Mr. STEELE. This organization, as I understand you, had to be gotten up very quickly, almost on the spur of the moment, and was entirely different from the War Department or the Navy Department, which had grown up and developed through a long series of years.

Mr. DENMAN. Yes; and purposely different, because it was to be a commercial shipping administration and in constant contact with live commercial business men, and would attempt to absorb their methods as distinguished from the more highly centralized and technical methods necessary to the Army and the Navy.

Mr. STEELE. The details of the construction department you say, were left almost entirely with Gen. Goethals.

Mr. DENMAN. All details were left to him.

Mr. STEELE. All details with reference to that department?

Mr. DENMAN. Yes, sir.

Mr. STEELE. And you said the difference between the disbursement of the presidential fund and the direct appropriation to the Emergency Fleet was as you outlined?

Mr. DENMAN. Well, the distinction I was making at that time, when I was testifying a few minutes ago, Mr. Steele, was the difference between the emergency fund that we used to operate and repair these German ships, and the \$50,000,000 with which we bought stock of the Emergency Fleet Corporation. Now, thereafter, following the act of the 15th of June, 1917, and the allocation of powers by the President on July 11, 1917, vast funds came from the Congress, legally through the President, but from him directly to the Emergency Fleet Corporation, and in legal contemplation did not pass through the Shipping Board.

Mr. STEELE. When was the Emergency Fleet Corporation organized?

Mr. DENMAN. On the 18th of April, 1917.

Mr. STEELE. When did you have the appropriation from the Congress?

Mr. DENMAN. The original act of September, 1916, provided an appropriation of \$50,000,000 for a Shipping Board and it gave to the Shipping Board, that original act did, the power to create corporations for the stimulation of shipping activities. When the war came on the legislation that I proposed to the Congress in the session ending on March 4 was defeated in the press of the activities of the last two weeks, as you will remember, of that session. So that I had

no new war powers to act under when the war was declared on April 6. So that what I did was to create the Emergency Fleet Corporation out of this original act which provided for the creation of these corporations.

Mr. STEELE. I was directing your attention peculiarly to the war powers. They came along in June, did they not?

Mr. DENMAN. On June 15. I was with the Congress for about five weeks shaping up that bill.

Mr. STEELE. That act was passed on June 15, and you severed your connection with the board on the 24th of July following.

Mr. DENMAN. Yes, sir; I got no powers under the act until the 11th of July.

Mr. STEELE. So that so far as your official connection with the administration of that act is concerned it was confined to a period of about two weeks?

Mr. DENMAN. That is correct.

Mr. STEELE. On yesterday, Mr. Denman, in the course of your testimony you referred to the very familiar maxim, "Oh that mine enemy would write a book." Will you tell us who the enemy was and what was the title of his book?

Mr. DENMAN. I was referring to my own statement, in which I unfortunately used the phrase that Mr. Kelley promptly seized upon. I was not referring to anybody else.

Mr. STEELE. The impression on the minds of some people was that you were referring to other people.

Mr. DENMAN. No; and the fact is I never saw the book you evidently have reference to until this morning.

Mr. STEELE. The impression on some peoples' minds was that you were referring to that book.

Mr. DENMAN. To make that clear let me say that the gentleman I am speaking of, Mr. Hurley, I have had most delightful and amicable relations with. I have had no break with Mr. Hurley, and admire him greatly. He did not take my policies, it is true, but—

Mr. STEELE (interposing). Well, I merely wanted to correct that.

Mr. DENMAN. Well, I am glad you did. I was my own enemy in that case, Mr. Steele.

Mr. STEELE. That is all.

Mr. FOSTER. You were the author of that book to which you referred on yesterday?

Mr. DENMAN. Yes, sir. I meant my prepared statement.

The CHAIRMAN. Mr. Hadley, have you any questions?

Mr. HADLEY. A few. Mr. Denman, you referred to the record this morning for a statement with regard to the board's policy that you wished to have executed with reference to Diesels. Were those the minutes of the Emergency Fleet Corporation or of the Shipping Board?

Mr. DENMAN. They were Shipping Board minutes. General Manager Goethals and the Shipping Board were in conference.

Mr. HADLEY. They were on the 19th of July?

Mr. DENMAN. Yes.

Mr. HADLEY. And you resigned on the 24th of July?

Mr. DENMAN. Yes, sir.

Mr. HADLEY. At the time that you made that statement that appears in the minutes of the Shipping Board I infer from your

earlier testimony that you had no knowledge that you were likely to resign.

Mr. DENMAN. That is correct.

Mr. HADLEY. That information came to you later.

Mr. DENMAN. It came to me about an hour before I resigned.

Mr. HADLEY. So that this minute was made in the ordinary course of business and in anticipation of proceeding regularly throughout a continuing administration.

Mr. DENMAN. Yes.

Mr. HADLEY. The act of September, 1916, under which the Emergency Fleet Corporation was organized of course had not in contemplation the exercise of any war powers. That was for commercial ship construction and commercial purposes, was it not?

Mr. DENMAN. No; there was a very large group of provisions of a war nature in that act. That act was——

Mr. HADLEY (interposing). I was referring to the section of the act which dealt with the organization of corporations.

Mr. DENMAN. No; the organization of corporations was contemplated for commercial activity.

Mr. HADLEY. And it was provided that one or more corporations might be formed as in the judgment of the board might be thought necessary and proper?

Mr. DENMAN. Yes, sir.

Mr. HADLEY. As a matter of fact one was organized and only one; there never has been but one organized, has there?

Mr. DENMAN. That is correct. I wanted another.

Mr. HADLEY. And that was organized for the purpose of prosecuting construction work.

Mr. DENMAN. Emergency construction work, as it was called. But we hoped to go ahead in the emergency and make the ships of as permanent type as we could.

Mr. HADLEY. And the board was organized in January, some three months before we entered the war.

Mr. DENMAN. Some two months.

Mr. HADLEY. The corporation was organized a short time after we entered the war, 10 days or such a matter, was it not?

Mr. DENMAN. Yes.

Mr. HADLEY. But the emergency shipping act referred to by Mr. Steele a moment ago was passed in June.

Mr. DENMAN. Yes.

Mr. HADLEY. Did the act which you had reference to in your answer do more than provide an emergency shipping fund for ship construction during the war?

Mr. DENMAN. Yes; that act provided for powers for construction and particularly for powers which I sought throughout the month of May to control the building of nonwar steel structures, high buildings, and bridges; the act gave the President power to place a preferential order that would cut out nonwar construction and concentrate the steel producers on war material.

Mr. HADLEY. The crux of that was this, was it not: To confer upon the President the power to construct ships and appropriated a given sum of money for that purpose; that is correct, is it?

Mr. DENMAN. Yes, sir.

Mr. HADLEY. And it also conferred upon him the power to do it through such agency or agencies as he might determine?

Mr. DENMAN. That is correct.

Mr. HADLEY. And he did determine upon the Shipping Board.

Mr. DENMAN. Yes; for operation.

Mr. HADLEY. And delegated the power to the board——

Mr. DENMAN. (interposing). Construction went to the Emergency Fleet Corporation.

Mr. HADLEY. Well, in saying the board, the Emergency Fleet Corporation is an arm of the board; although independent, it really is its own creator.

Mr. DENMAN. It was at the time of the creation; but I believe, Mr. Hadley, that the devolution of the power from the President to the corporation passed entirely by and not through the Shipping Board, and the only way the Shipping Board became interested was indirectly, in that the members of the Shipping Board were members of the corporation. I think that is the legal effect of the act of June 15, 1917.

Mr. HADLEY. At the time the President conferred these powers upon the Emergency Fleet Corporation did he accompany that with any specific directions, or did he simply leave it with the board and the Emergency Fleet Corporation to execute the power in their own way without any presidential direction?

Mr. DENMAN. There was no direction from the President other than as contained in the order. But the President had been in discussion with Gen. Goethals and myself regarding the prospect for getting a large quantity of vessels. As to the division of authority, the order he gave clearly determined that.

Mr. HADLEY. The order itself passed the authority for construction to the Emergency Fleet Corporation?

Mr. DENMAN. To the Emergency Fleet Corporation, and for operation to the Shipping Board.

Mr. HADLEY. Then it developed in this statement that this division of authority was not one instituted by yourself but by the President through you.

Mr. DENMAN. Well, I submitted the draft of the order to him.

Mr. HADLEY. Yes, I appreciate that; but the President really determined that policy.

Mr. DENMAN. Yes,

Mr. HADLEY. And in all that procedure afterwards it was the result of that policy of segregation of authority.

Mr. DENMAN. No; all that proceeding afterwards in my opinion, or not all but a very considerable portion of the difficulty that occurred afterwards, arose from not following the President's order.

Mr. HADLEY. Well, I meant to say that the outstanding authority under which presumably things would occur was in pursuance of that division of authority?

Mr. DENMAN. Yes, sir.

Mr. HADLEY. Whether it was followed or not is another matter.

Mr. DENMAN. Yes, sir.

Mr. HADLEY. Then, as far as this committee is concerned, in measuring the regularity of what was done, that, after all, has to be measured by the terms and stipulations of the by-laws and minuted of the Emergency Fleet Corporation, when we are referring to the manufacture of ships.

Mr. DENMAN. That is correct.

Mr. HADLEY. And as to repairs and operations we would refer to the minutes and proceedings of the Shipping Board.

Mr. DENMAN. You would, if it had been followed.

Mr. HADLEY. As to whether it was followed after you left the board you are not personally familiar?

Mr. DENMAN. Only by the statements of the members of the board.

Mr. HADLEY. Under the by-laws of the Emergency Fleet Corporation was this delegation of authority to Gen. Goethals, to which you referred in the early part of your testimony, such authority?

Mr. DENMAN. Yes.

Mr. HADLEY. Was it in the by-laws or in the minutes by resolution?

Mr. DENMAN. My recollection is that Gen. Goethals was, or rather, the position of general manager was created in the by-laws themselves.

Mr. HADLEY. And the resolution providing for the selection of Gen. Goethals established the matter of the board's action, in pursuance of the by-laws.

Mr. DENMAN. Yes.

Mr. HADLEY. But if I understand you, this scheme of organization, after the selection of Gen. Goethals, it would not be within your province under the by-laws to interfere in any way with his management of the affairs of the Emergency Fleet Corporation.

Mr. DENMAN. No; except that as the general manager would be under the direction of the board of directors, and acting as president of that body the discussions of the directors I would participate in. But the understanding of all of us and every one, from the President himself down, beginning when he sent for Gen. Goethals or wrote for him to report to us, was with the understanding that he was to have control as he had had on the canal, for details of construction. You will recall that the canal was designed by the engineers and then carried out by Gen. Goethals, and it was that concept here. You can not understand it without picturing him in his prior accomplishment.

Mr. HADLEY. Such conception would be specified in the by-laws of the Emergency Fleet Corporation.

Mr. DENMAN. Yes, sir. There was an executive committee in the Fleet Corporation that Gen. Goethals was on, and that was Gen. Goethals; in fact, the executive committee was really Gen. Goethals himself.

Mr. HADLEY. Referring to another feature of your testimony: You classified the recognized forms of contract for ship construction, and I think you named three; was that correct?

Mr. DENMAN. Four.

Mr. HADLEY. The lump-sum contract, the fixed sum plus a fixed fee, and the contract plus percentage, and what was the fourth?

Mr. DENMAN. The lump sum was variable as to certain items. So that if a ship was to cost \$1,000,000, and the steel plate was estimated at $2\frac{1}{2}$ cents a pound, and yet the plate actually cost 3 cents or $3\frac{1}{2}$ cents, the Emergency Fleet Corporation would be compelled to absorb the difference between $2\frac{1}{2}$ cents named in the contract, the tentative price, and the 3 cents or $3\frac{1}{2}$ cents actually paid for the plate.

I do not know whether I did say on yesterday or not that Judge Gary, after the controversy over the price of steel plate, offered us all we wanted at 3 cents a pound.

Mr. HADLEY. Am I correct in understanding from your testimony that the board at no time during your incumbency adopted the plan of cost plus a percentage?

Mr. DENMAN. That is correct.

Mr. HADLEY. That is, cost plus a percentage on the cost.

Mr. DENMAN. That was not adopted.

Mr. HADLEY. Were any contracts executed during your incumbency that so provided?

Mr. DENMAN. My recollection is that none was executed of that character.

Mr. HADLEY. Do you recall the occasion when a delegation of contractors, or intending contractors, from the three Pacific Coast States came to Washington to take up with the board the question of an alleged discrimination against the Pacific coast builders, wherein it was claimed that an order or an edict of some kind had been issued to the effect that the cost plus a percentage plan would be applied in the East, but not on the Pacific coast, and that the lump-sum contract was to obtain out there, and that only? Do you recall an occasion of that kind arising while you were on the board?

Mr. DENMAN. I think I do. There were many delegations; the fact is that Washington was swamped with delegations, but I remember a statement about discrimination, but whether it was between the two coasts or between the coast and some certain contractors in other places I do not recall. But as I recollect it I told the spokesman of that group, or some member of that group, to take the matter up with Gen. Goethals, and I think it was adjusted at the time.

Mr. HADLEY. I think that is true, but I was seeking to ascertain what the fact was—as to whether that was an actual order that had gone into effect or a plan that was contemplated and abandoned.

Mr. DENMAN. I think not. I know that Gen. Goethals was always strongly against the idea of permitting a contractor to think that he could be easy in construction and lax in administration, so that there would be a building up of costs which would build up his profits.

Mr. HADLEY. As a matter of fact, that plan was adopted later and applied in the course of ship construction, was it not?

Mr. DENMAN. I only know that by hearsay. The general understanding of the street is that there were two or three contracts of that character let.

Mr. HADLEY. Who determined the kind of contract that should be made during your administration?

Mr. DENMAN. The Emergency Fleet Corporation's manager. It was a part of their functions.

Mr. HADLEY. In the determination of that was it left entirely to the general manager or did the board of directors and you as president of the organization have a consulting status regarding the character of contract?

Mr. DENMAN. No——

Mr. HADLEY (continuing). I do not mean a specific or individual contract but the general policy under which contracts were to be made.

Mr. DENMAN. I think you will find in the records of the board a memorandum or a series of memoranda exchanged between Gen. Goethals and myself regarding the method of compensating contractors. My memory is not clear regarding that, but sometimes

there would be a memorandum exchanged, and sometimes we would meet and discuss the matter.

Mr. HADLEY. Did you have under consideration, among other plans, the question of cost plus a fixed percentage?

Mr. DENMAN. Yes. A great many men would say: We do not want to go into the building of ships. We have two ships that we can build, but we do not want to build ten or twenty, because it is risking our capital under adverse conditions. Some of them were very patriotic and were willing and anxious to do all they could, but different men urged that if they were going to take this risk they ought to have a corresponding gain; that in event they had difficulties to arise in securing materials, at a higher price, or difficulties in looking around to find labor, and more particularly administrators, because that was where the weakness was in the building of ships; to get men to take those plants and lick them into shape, or to get draftsmen and specialists that were necessary, they thought they ought to have something more. That did not appeal to us. We felt that in war time that if a fellow had patriotic energy, a fixed fee was enough to pay him for it.

Mr. HADLEY. What in your opinion is the difference between that kind of contract and one with a fixed fee, as to probable cost?

Mr. DENMAN. The fixed fee contract gave no pecuniary temptation to the contractor to expand cost. The percentage system over the entire cost of course had a direct pecuniary inducement in it to permit the men to loaf on the job, make a wasteful use of materials, and increase the cost of construction.

Now, the Navy had pursued the percentage policy in a very large number of these contracts. On the other hand, they had a long-developed group of skilled inspectors and administrators, that in many cases practically took charge of plants and kept them within bounds, or attempted to do so—and when I say “kept” of course that I do not know—but they attempted to keep them within bounds as to expansion of cost of plants that might otherwise have been unlimited if the contractor decided to make money and nothing else.

Mr. HADLEY. Whereas in the administration of the board and the Emergency Fleet Corporation you found much difficulty, did you not, in getting men of experience, or any experience at all in the requirements of inspection and administration?

Mr. DENMAN. As a matter of fact, so far as the type was concerned, a large percentage of them were nonexistent. They had to be created, they had to be taken from other classes of manufacture and made ship manufacturers.

Mr. HADLEY. There were very few facilities for shipbuilding at all in the shipbuilding sections as they were afterwards developed?

Mr. DENMAN. That is true.

Mr. HADLEY. On which coast did the greater facilities exist?

Mr. DENMAN. At the beginning of the war the greater facilities existed on the Atlantic coast. At the height of the construction the Pacific coast built, not comparatively but in the gross more vessels.

Mr. HADLEY. Isn't it a fact that the Pacific coast built more than 50 per cent of the tonnage that was delivered during the combat period?

Mr. DENMAN. It was so announced. The climate there permits construction in summer and in winter. With climate such as we

have on the Pacific coast in the summer there is no heat and men are not ducking in out of the sun when working on the hulls, and in the winter time there is no intense cold so that men are seeking to go to fires when riveting.

Mr. HADLEY. Deliveries began earlier on the Pacific coast than on the Atlantic, did they not?

Mr. DENMAN. I do not know about the case of single ships, but I think the mass of tonnage began earlier.

Mr. HADLEY. Do you know why that was?

Mr. DENMAN. You know the shy attitude that we Pacific Coasters have about introducing the subject of our climate. My impression is that it was due to the superior activities of the men who came within the beneficent range of our climatic conditions.

Mr. HADLEY. I was led to ask that question by reason of observations I had made. I notice that near the end of November, 1917, the first steel ship was ready to launch the next day in Seattle, named *City of Seattle* as I recall. At Hog Island yard, which I visited, with the Committee on Merchant Marine and Fisheries on the 23d of May, 1918, six months later, I think there were nearly 50 keels laid, but only two ships partially underway above the keels, as I recall.

Mr. DENMAN. Keel-laying was a great trick, you know. I do not use the word "trick" offensively; but there was a provision in the contract, as I recall it, that a certain amount of the payment would come on the laying of the keel—and I am not thinking of Hog Island now, particularly—but they got those keels laid with most extraordinary dispatch, and then the other materials would be assembled and the progress of the ship would be more deliberate. The real test of a yard was the mass of tonnage delivered in a given time; tons per week, was the real determining factor in regard to a plant's output.

Mr. HADLEY. The same general condition existed largely upon the Delaware, at that time, as I remember. That is, that much progress was being made in the way of preliminary work, but that very little progress was being made in the way of completed ships. We visited 158 ways.

Mr. DENMAN. You will remember that the figures that Gen. Goethals gave me as to the cost of Hog Island, an outline of which I was seeking for the Congress in that week before we resigned, showed a total estimated cost, of, in the neighborhood, \$22,000,000. The yard cost in fact, according to the records of the board, upward of \$60,000,000. What happened between the time of my resignation and the time of your visit was described in the report I think of the Department of Justice as "an organized riot"—that was not a sympathetic report. The project was an enormous one. It did not get under way until the ground began to freeze, and they had to steam the ground out to get the piles in in many cases; and then it was so huge that the mass of persons engaged in the work were very difficult to organize for efficient operation.

I think a more interesting comparison would be what individual yards did in the east as against individual yards in the west with a similar start. And there is no question about the situation—that the cold weather in the east, the freezing, not only pulled back the energies of the laborers, but it actually had an effect on the construction of the ships; the variations of temperature arising in the eastern

shipyards between the time of the laying of the keel and the finishing of the vessel, the expansion and contraction of different portions of the ship, making an appreciable addition to the cost, in refitting rivets and readjusting frames, beams, and plates.

I remember that the foreman of the Harlan & Wolff yards called on me in the month of June and figured a percentage, which I believe was 4, on the heat and cold expansion and contraction of steel members, in favor of construction in the temperate climate of the Pacific coast against the more difficult climates of countries like Denmark and Norway and territories where there is severe winter frost. It was a very interesting comparison that he had made, and he had worked it out and was going back to Lord Pirrie's company with certain recommendations to establish British yards on the Pacific coast of the United States.

Mr. HADLEY. Did you have under consideration the building of concrete ships during your administration?

Mr. DENMAN. The first discussion of concrete ships came up in my time. It was first looked on as a joke, and then more and more definite plans developed, and it had received serious discussion when we left.

Mr. HADLEY. Were you favorably disposed toward the construction of ships of concrete?

Mr. DENMAN. I should have tried it, because in doing that you disturb practically no steel vessels—in both wood and concrete—papier-mâché and tin, too, as far as that is concerned, if a good scientific prognosis were made and it would not interfere with steel, I think we would have tried it out, provided it did not require too large an original expenditure. The original experiment with concrete was comparatively small in cost.

Mr. HADLEY. Had the *Faith* been constructed?

Mr. DENMAN. No; I think the *Faith* was launched in the spring of 1918, while I was in Washington. I may be wrong about that.

Mr. HADLEY. So if you had proceeded it would have been purely upon an experimental basis, without any practical knowledge of the practicability of concrete ships?

Mr. DENMAN. No; I think there had been some little building of concrete ships at the time—perhaps a concrete barge or two on the Mississippi River.

Mr. HADLEY. But there has been no ocean-going freighter in service?

Mr. DENMAN. No. I understand that there are now two concrete oil tankers on the Gulf that are rendering admirable service. There was a very serious question as to whether they would carry oil, whether the oil would not disintegrate the concrete or the bond of concrete and steel. But it seems to be all right.

Mr. HADLEY. That is all.

The CHAIRMAN. Mr. Connally, do you want to ask any further questions?

Mr. CONNALLY. I want to ask Mr. Denman one or two questions along the line that Mr. Steele asked him a while ago, as to whether he was testifying along the line of general knowledge rather than first-hand information?

Mr. Denman, you said on yesterday that Mr. Rosseter's time, after he reached Washington, was spent in straightening out matters

of accounting rather than in operation. As a matter of fact, that was subsequent to your direct connection with the board?

Mr. DENMAN. Yes; and in regard to that statement I did not mean to say that his entire time was so taken up. I say that his constructive energies were hampered by the difficulties of accounting and the establishment of managerial control over those agencies.

Mr. CONNALLY. The point I want to direct your attention to is, whatever information you have on that is second hand information, is merely hearsay? You were not here and were not connected with the Shipping Board then?

Mr. DENMAN. I was neither here all of them nor connected with the Shipping Board. All information I have given you concerning what other people did in my own time or any other time is what they told me and what I saw in the reports, as is the case of all the information in practically all of the testimony here along that line, I assume. There is no man who can come to you and testify as to policy who is not obliged to take the whole field as it lies and depend on reports of other officers as to some of it.

Mr. CONNALLY. The point is that you were in San Francisco the most of the time and Mr. Rosseter was here in Washington, and what you know of the actual doings of Mr. Rosseter were not gained by yourself.

Mr. DENMAN. I was not in the Shipping Board side with him, no, sir. But I do know that energetic and powerful men have only so much energy to go on, that there is a limit to the best of them. They function to a certain point and quit.

Mr. CONNALLY. Certainly.

Mr. DENMAN. And if a man has got to spend his time correcting past mistakes, as quite likely, they had to correct those of my administration, there is a limit to the other things he can do.

Mr. CONNALLY. There is no controversy about that, but I just want to get the weight to be attached to your testimony by getting the source of your information. You also made some statements about if we could get the President to consent to open up the question of secret conferences, etc., we might secure the reason for your being requested to resign.

Mr. DENMAN. I said the influences which led up to it.

Mr. CONNALLY. You received a letter from the President which caused your resignation, did you not?

Mr. DENMAN. Yes; and that was published.

Mr. CONNALLY. And that was what you acted on?

Mr. DENMAN. Yes, sir.

Mr. CONNALLY. You accepted that as the cause of your resignation?

Mr. DENMAN. No.

Mr. CONNALLY. You accepted that as an expression of the reason why you resigned; as the expression of the reason?

Mr. DENMAN. An expression.

Mr. CONNALLY. Then you think there were other and secret influences that were not expressed in that letter?

Mr. DENMAN. In the creation of the opinion of an administration that the public and individuals have, there is an accumulation of impulses and impressions. I presume I have gathered about as complete an aggregation of diverse influences as an administrator could. I wanted to open the St. Lawrence Channel before we got into

the war and certain railroad men and New Yorkers did not like it. I wanted lower freights and certain shipping men did not like it. Lower steel made enemies, as did Diesels, the St. Lawrence, etc.

Mr. CONNALLY (interposing). Let us not get off onto the St. Lawrence. That is a little far away from this committee.

Mr. DENMAN. If we are to judge the act of the dismissal of an administrator we have to take into consideration his public availability and, if he is right or not, whether he has ceased to be useful; because with an accumulation of adverse comment on him you might be justified in removing him, although you would resolve each one of the controversies in his favor.

Mr. CONNALLY. Certainly. And you will recall that I asked you the other day if you and Gen. Goethals both simultaneously resigned, and if naturally in that case the question would not arise if it was not a matter between you. But you did not accept the statement in the letter of the President as being the reason; you think there was something behind it?

Mr. DENMAN. I would like to make a statement in regard to that.

Mr. CONNALLY. I ask you whether you did accept it or not.

Mr. DENMAN. My impression is that the President had received innumerable complaints about the different matters as to which I had disagreements of policy; like the St. Lawrence matter, as to which the railroad men were not pleased; and with the accumulation of those things in his mind, including this matter I referred to this morning, it led him to believe I was not available.

Mr. CONNALLY. It was all a myth about the difference of opinion between you and Gen. Goethals on the policy of the board?

Mr. DENMAN. On wooden ships; yes, sir.

Mr. CONNALLY. What was the difference between you and Gen. Goethals?

Mr. DENMAN. We are entirely agreed on the Diesels.

Mr. CONNALLY. I did not ask you about Diesels. I am satisfied you convinced him about Diesels. But what was the difference between you and Gen. Goethals which, perhaps, resulted in the resignation of both of you?

Mr. DENMAN. I think the thing that focused public attention at that time was Hog Island.

Mr. CONNALLY. In what respect? Were you in favor of Hog Island and he against it, or you against it and he for it?

Mr. DENMAN. Both of us were strongly in favor of building a fabricating steel plant.

Mr. CONNALLY. There was no point of difference between you there.

Mr. DENMAN. No. I was in favor of having a very full and complete statement of the anticipated cost, and very careful planning as to the anticipated project, before we got into it. Gen. Goethals's idea, apparently, was to take the services of this group of men in New York that had prepared for him an outline of cost and develop the project as he went along. And we were discussing that matter between us, and I think the general—although it is not for me to explain what was in his mind, but my impression was that Gen. Goethals thought that this was the beginning of a series of invasions on his administration that would hamper his activities. And if it had been he was right in resenting it, because he should have been in

charge of the job and we should not have interfered. Now, it was not our intention to do that. That was pending, and while it was pending the papers were filled, from one end of the country to the other, with articles about "the dispute between Gen. Goethals and Mr. Denman; and Mr. Denman desiring to build wooden ships and Gen. Goethals desiring to build steel ships, and wood being the character of Mr. Denman's head and steel being the character of Gen. Goethal's resolution." That was the picture in the press at the time.

Mr. CONNALLY. Yes; we recall it. Now, how far did this difference between you and Gen. Goethals proceed? You wanted an estimate of cost and such an estimate was made out, wasn't it? And didn't you refer to it in your testimony as \$22,000,000?

Mr. DENMAN. Yes; and it reached me on the day or the day before we resigned.

Mr. CONNALLY. The estimate?

Mr. DENMAN. Yes.

Mr. CONNALLY. So then there was no trouble about that, because you had your way about that? Gen. Goethals did not object to this, did he? I just want to press this controversy matter enough to see how it eventuated.

Mr. DENMAN. That was all. I never had any feelings that the Hog Island dispute would not be resolved and resolved amicably; that all the alleged differences, if there was a difference in the general's mind as between us, would not be resolved. I have dealt with a great many men, not as great as Gen. Goethals but of commanding power, and have had no difficulty in contact of that kind.

Mr. CONNALLY. Well, really it never came to a controversy at all? It was only a difference of opinion, which did not result in hurting your feelings, did it?

Mr. DENMAN. Gen. Goethals was very determined that we should not invade his power of administration. Now, there were persons who utilized those reports of differences, who, I am told, appealed to the Council of National Defense, and quite likely appealed to the President, though I do not know that, to get rid of us, so there would be no Diesels and no Mr. Denman and no Gen. Goethals, and a new crowd would come in, and with their inexperience things would drift along until they got experience.

Mr. STEELE. So they were really after the Diesels? That is the animal they were chasing?

Mr. DENMAN. No; I think that was only one of the good many things. My policies on steel prices, lower freight rates, the St. Lawrence, the control of neutrals, the abolition of the fugitive sailor law and many other matters.

Mr. CONNALLY. I believe that is all.

Mr. STEELE. One or two matters occurred to me during Mr. Hadley's examination. Was the Hog Island site determined upon during your administration, Mr. Denman?

Mr. DENMAN. Yes.

Mr. STEELE. Was the site selected by Gen. Goethals?

Mr. DENMAN. It was.

Mr. STEELE. When was construction commenced upon Hog Island, do you recall?

Mr. DENMAN. I think Admiral Capps waited for several weeks.

Mr. STEELE. Do you recall that it was about September when actual work was commenced?

Mr. DENMAN. Well, that would be a month or a little over a month.

Mr. STEELE. It required a great deal of development work before he commenced construction of the ways at Hog Island, did it not?

Mr. DENMAN. It was a marsh, covered by the tide at certain periods, and with a considerable amount of high land behind it, and preliminary work of piling and draining and general marsh reclamation of course had to be performed.

Mr. STEELE. So that the actual construction of ways did not commence until pretty late in the winter?

Mr. DENMAN. I think so. I think the actual construction of ways, of piling, was right in the midst of frost.

Mr. STEELE. You have referred to the difference in climatic conditions between the Pacific coast and the Atlantic coast. Do you recall that that winter in particular was one of the severest known along the Atlantic coast?

Mr. DENMAN. It was. I think administrators had about as great difficulties to overcome as could have been overcome. The railroads as you recall were themselves perilously retarded in operation and could not get materials to the yard. The organized riot that they spoke of was partially organized by nature.

Mr. STEELE. And it led to great difficulty in performance by labor and in getting work done.

Mr. DENMAN. And housing, too.

Mr. STEELE. That applied to all shipbuilding plants along the Delaware River at that time, didn't it?

Mr. DENMAN. It must have.

Mr. STEELE. And of course that interfered very materially with the speed at which ships could be constructed at that point.

Mr. DENMAN. Yes.

Mr. STEELE. You referred this morning to your conference with the British representatives. Were there any other persons present at that conference outside of those you mentioned?

Mr. DENMAN. There was only one conference in which all those persons were present. Afterwards they broke up into subordinate committees, and, say, we dealt with them from time to time. We would have an appointment with Sir Richard at such and such a time and with Mr. Cannap Guthrie, one of their assistants, at another time—

Mr. STEELE (interposing). Were any congressional representatives present at that time?

Mr. DENMAN. No; and a very interesting thing about that paper I presented this morning was that it was prepared and handed me by the State Department without our collaborating in its preparation, although it outlined the activities we were to engage in as conferees.

Mr. STEELE. Well, did you hold conferences with congressional representatives with reference to the policies of the Shipping Board?

Mr. DENMAN. Yes; particularly with the Senator from your State. I presume that I received as much assistance from Senator Knox as from anybody here in the Congress. I had much advice from him on international questions I have spoken of, and there were others. It would be difficult to have an international conference with these

congressional gentlemen and the British commissioners, because we would slide off into technical questions very quickly.

Mr. STEELE. The bell is ringing for a vote in the House, and I have only one question or two in addition. On yesterday you stated that the great difficulty with a merchant marine policy on the part of the Government would be the supplying of shipping brains. What did you do to meet that difficulty?

Mr. DENMAN. I meant the percentage of able shipping men to the whole population. Our competitor's is very much larger. I am very glad you asked me that, because I saw the report in the papers that took a part of my statement but not the whole of it. Our shipping men have ability and brains, but there are not many of them. Commerce on the sea is as important, if not more important, at the delivery end than at its initial end. It is your agent abroad, your house and its connections, that very largely determine your foreign commerce, or should, because the American method has been what the shipping men call f. o. b. ship selling on this side and let the other fellow do the distributing. Now, we have been behind other nations in developing our foreign agencies. One of the instrumentalities of holding trade, to the foreigner and our competitors, is through their ships. Knowledge is gained of the foreign business of the United States by studying manifests and shipping documents on these competition ships, all of which can be gathered together and brought to a central intelligence and given to the merchants of these other nations.

Now, in the years preceding the war we had a few American shipping companies, and had not developed our American foreign agencies. In consequence, our competitor's agents, the administrators in America for foreign lines and houses, constitute the bulk of what I call ship brains in this country. The men who knew the trade and the carriage end of it were largely foreigners. In that personnel we Americans have been lamentably short as compared to our competitors in ocean carriage and ocean commerce. In so far as the stimulation of the number of persons engaged in transportations, of Americans, increases the number of persons that have that capacity we are adding to our national assets in international commerce and international transportation. That is what I had in mind.

Mr. STEELE. That, of course, is a matter of experience and education?

Mr. DENMAN. It must be.

Mr. STEELE. And that is a matter of slow development, isn't it?

Mr. DENMAN. Ordinarily. But Germany, you will recall, adopted an intensive process for developing that. Just as they concentrated on their military affairs, they concentrated on that, and by a system of foreign financing and other help they forged ahead very fast. German competition in the commerce of the world—which they claim was the cause of the war—was a national project; the Government, the great banking syndicates, the shipping syndicates, the system of German cartel, all flowed out of a centralized governmental policy. A man in Germany could start the manufacture of a certain article under government aid in an interior German city and receive governmental cooperation in railway and ship transportation clear up to the financing of the sale in, say,

Buenos Aires. You say it is a process of long growth, but they developed it very rapidly, so rapidly that it disturbed the international balance of trade and, as they say, was the cause of the war.

Mr. STEELE. When you say rapidly, within what time did the Germans develop it?

Mr. DENMAN. I think the period of its greatest development was the last few years prior to the war.

Mr. STEELE. One of the criticisms of the operations of the Shipping Board was that frequently ships with full cargo on the trips abroad returned without any. Is that due to the condition you mention?

Mr. DENMAN. I think in part it is attributable to that. But I understand in some cases ship operators, operating ships for the Government, were men who were operating their own ships and Government ships side by side. Naturally they had their stockholders pressing on them, and there may have been some influence of that kind that caused them to fill the holds of private ships more nearly full than in the case of Government-owned ships. But I think in the main it is our weakness in the foreign fields that causes this condition.

I was speaking of Mr. Schwerin on yesterday. I was familiar with the strain that Mr. Schwerin was under for years in maintaining the Asiatic coast offices of the Pacific Mail Steamship Co. Mr. Schwerin was in bad with Congress; some did not like him here; but so far as the international conflict on the seas was concerned he was one of the strongest men the United States had. He strove with great zeal and great energy to maintain what I call the outposts of our trade, and was in bitter competition there with the Japanese, the English, and the Germans. Rosseter has continued it.

Mr. STEELE. In your judgment, if our marine policy is to be made a success something of that kind must be done?

Mr. DENMAN. Shipping must go hand in hand with business, and the Government must help.

The CHAIRMAN. Just a couple of questions that I think you can answer yes or no, as the bell has rung a second time. Did you receive any compensation from the Government or anybody else for the performance of those extraneous duties which were committed to you?

Mr. DENMAN. Oh, no, sir.

The CHAIRMAN. Those various conferences which you held with shipbuilders and ship operators at that time, during your administration, were they not practically unanimous in opposition to the wooden-ship construction program that you were undertaking?

Mr. DENMAN. Oh, no. On the contrary, Gen. Goethals and my wooden-ship program was very highly and very generally indorsed. For instance, Mr. Corey, the steel manufacturer, wrote a letter—

The CHAIRMAN (interposing). No; by those ship builders and operators that made up the advisory board with whom you consulted and you spoke of on yesterday; were they not practically unanimous against the wooden-ship program?

Mr. DENMAN. Practically every man who knew anything about the use—

The CHAIRMAN (interposing). No; I mean this—

Mr. DENMAN (continuing). I must include them in my answer, Mr. Chairman—was opposed to building wooden ships except for the

emergency. Now, as to the men you are speaking of, the question came up to them in the year 1918, after the big push back——

The CHAIRMAN (interposing). No; I am asking you this: You said you had an advisory committee that you consulted with while you were chairman of the board, and that you discussed various questions with them. I am inquiring if those men on that committee were not advising you against the building of wooden ships or of undertaking it?

Mr. DENMAN. Yes, all; except for the emergency.

The CHAIRMAN. They were in favor of it for the emergency, you mean?

Mr. DENMAN. Some were, and some not even that. Some of them did not know anything about wooden ships. I probably knew more about pine and fir wooden-ship construction than any of them. The ship control committee of which Mr. Franklin was chairman advised Mr. Schwab to continue the project in April, 1918.

The CHAIRMAN. In your organization, either in the Shipping Board or the Fleet Corporation, outside of Gen. Goethals, did you have any man, in any subordinate position, who had had practical experience in either wood or steel shipbuilding?

Mr. DENMAN. Well, on the Pacific coast I procured the appointment of Capt. Pillsbury, who was familiar with both types of construction. The fact is I may say for my own personnel, those men stuck throughout the war.

The CHAIRMAN. Anybody else?

Mr. DENMAN. Who he chose as his wooden-ship administrators I do not recall.

The CHAIRMAN. No; I mean anybody you selected. Did you select any practical man outside of Capt. Pillsbury?

Mr. DENMAN. I asked Mr. Hough to come from the coast.

The CHAIRMAN. Did you select Commander Ferris?

Mr. DENMAN. No; I had nothing to do with that. He was a steel man.

The CHAIRMAN. Well, I am talking about steel or wood ships. Did you personally select for any subordinate position, in the Fleet Corporation or in the Shipping Board, any person who had had practical experience in the construction of wood or steel ships, outside of Capt. Pillsbury?

Mr. DENMAN. Capt. Pillsbury had charge of the Pacific coast work.

The CHAIRMAN. Anybody else?

Mr. DENMAN. Nobody else was selected by me.

The CHAIRMAN. I think that is all, Mr. Denman. And the committee will adjourn and resume after the Christmas holidays, at which time we expect to call some of the present officials of the Shipping Board.

(Thereupon, at 12 o'clock and 20 minutes p. m., the committee adjourned to meet on the call of the chairman after the holidays.)

SHIPPING BOARD OPERATIONS

HEARINGS

BEFORE

U. S. Congress, House

SELECT COMMITTEE ON U. S. SHIPPING BOARD OPERATIONS

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS

THIRD SESSION

TESTIMONY OF

MR. TILDEN ADAMSON

MR. WINFIELD McKEON

MR. JAMES TALBERT

MR. CHARLES RICHARD TAYLOR

MR. HAROLD B. MILLER

PART 9



WASHINGTON
GOVERNMENT PRINTING OFFICE

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**SELECT COMMITTEE ON UNITED STATES SHIPPING BOARD
OPERATIONS.**

HOUSE OF REPRESENTATIVES UNITED STATES.

SIXTY-SIXTH CONGRESS, THIRD SESSION.

JOSEPH WALSH, Massachusetts, *Chairman.*

PATRICK H. KELLEY, Michigan.

HENRY J. STEELE, Pennsylvania.

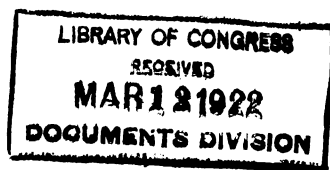
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GEORGE H. NORTON, *Clerk.*

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III

SHIPPING BOARD OPERATIONS.

SELECT COMMITTEE ON UNITED STATES
SHIPPING BOARD OPERATIONS,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Tuesday, January 11, 1921.

The committee met, pursuant to call of the chairman, in the caucus room in the House Office Building, Hon. Joseph Walsh (chairman) presiding.

Present also: Representatives Connally and Steele.

TESTIMONY OF MR. TILDEN ADAMSON—Recalled.

The CHAIRMAN. Mr. Adamson, you have testified before?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. And have been sworn?

Mr. ADAMSON. Yes, Mr. Chairman.

The CHAIRMAN. What is your position, just for the record?

Mr. ADAMSON. Assistant to the general comptroller, handling the claims work for the comptroller's department.

The CHAIRMAN. Mr. Tweedale is comptroller?

Mr. ADAMSON. He is general comptroller.

The CHAIRMAN. By whom were you appointed?

Mr. ADAMSON. I was appointed by Mr. Piez. I do not know whether he signed the appointment personally.

The CHAIRMAN. What experience had you had in this work prior to your appointment?

Mr. ADAMSON. For about 8 or 10 years I have been dealing in claims in New York City in financial matters. It was not on claims matters, but as deputy comptroller.

The CHAIRMAN. In what capacity were you dealing with claims?

Mr. ADAMSON. I was head of an organization in New York City for the city government, which was made up of accountants, engineers, and examiners who had as part of their functions to pass upon certain of the claims presented, to make up the budget of the city, and to report upon all appropriations to the board of estimates.

The CHAIRMAN. How long had you been in that work?

Mr. ADAMSON. That was about eight or nine years, in that work.

The CHAIRMAN. Now, how long have you been with the Shipping Board?

Mr. ADAMSON. Since April, 1919.

The CHAIRMAN. Since April, 1919?

Mr. ADAMSON. Since April 9, 1919.

The CHAIRMAN. Now you are with the cancellation claims board?

Mr. ADAMSON. No, sir.

The CHAIRMAN. Were you with them?

Mr. ADAMSON. I have a somewhat dual relationship. I am on the staff of the general comptroller, but I make all my reports to the construction claims board.

The CHAIRMAN. To the construction claims board?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. How long have you been doing that?

Mr. ADAMSON. I reported to the construction claims board and its predecessor, the cancellation and contract claims board, beginning with the summer of 1919, when I was comptroller of the construction division. I have devoted almost all of my time to the claims report since last May or June of this past year.

The CHAIRMAN. Is there any fixed or definite policy that is followed in the settlement or adjustment of construction claims?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. What is that policy?

Mr. ADAMSON. Well, the general policy you will find laid down in the bulletins of the construction claims board.

The CHAIRMAN. I want you to state what the policy is; what steps are taken in the case of a shipbuilding contractor who has a claim against the board, either for cancellation of contracts, or for the adjustment of settlement arising out of his construction work. What are the steps followed under this policy, and what is the policy?

Mr. ADAMSON. Well, in the first place, the form of cancellation, the contractors are notified and they must put in sworn statements as to the conditions at that time; they put in the statement of the claim, to which they swear. That goes now to the district adjuster. As soon as the claim comes in it is investigated by an examiner representing the district adjuster. The district adjuster gets all of the facts in relation to the claim, and he asks for an audit by the general comptroller's department. When he gets this back and his figures he negotiates with the claimant for a settlement.

The CHAIRMAN. The district adjuster does?

Mr. ADAMSON. Yes; the district adjuster. In these negotiations he makes a report to the construction claims board. As soon as that report is received in the construction claims board, the secretary sends a copy of it to my office, so that the general comptroller may analyze the claim and the district adjuster's recommendations, and make a report to the construction claims board, with recommendations. The policy is not to take any action on the claim until after the general comptroller has reported upon it. After I have made my report on the claim and the district adjuster's recommendations, the matter is taken up in the board as a whole, and if it is an intricate case, that is to require some consideration by the board, it is usually assigned to a single member; for instance, if it has to do with ship construction it is assigned usually to Mr. Skinner.

The CHAIRMAN. To Mr. Skinner?

Mr. ADAMSON. Yes; he is a practical ship builder, and has been most of his life in the business.

The CHAIRMAN. What are his initials?

Mr. ADAMSON. H. G. Skinner.

The CHAIRMAN. How long has he been on the construction claims board?

Mr. ADAMSON. He has been there six or seven months as a member of the board. He has had a great deal to do with the work heretofore, in reporting.

The CHAIRMAN. What then?

Mr. ADAMSON. Then the claims board makes its determination and passes a resolution, recommends a definite award. Under the present practice that goes before the commissioners of the Shipping Board, who either approve or disapprove.

The CHAIRMAN. Is that the whole program?

Mr. ADAMSON. Briefly, that is the program.

The CHAIRMAN. Now, are all claims put through that procedure?

Mr. ADAMSON. Well, I should say that if the claim fails to go through that procedure, it is due to some sort of accident. I do not know of any recent failures to go through that procedure.

The CHAIRMAN. Do you know of any failures that are not recent?

Mr. ADAMSON. I can not recall, Mr. Walsh, offhand, any.

The CHAIRMAN. Now, is there any length of time stipulated within which the contractor must file his claim under oath with the board?

Mr. ADAMSON. Well, at one time, I believe there was a general order which required that all claims should be filed by a certain time. The contractors have not been prompt in some cases in filing their claims; in fact, there are some claims that are not yet in.

The CHAIRMAN. For construction work?

Mr. ADAMSON. For construction and cancellation work; that is—please understand, Mr. Chairman, that on the straight construction work, where there has been no cancellation, ordinarily the claim does not come to the claims board, but is settled by district officials. It is only in the event that the district manager or the head of the ship construction division can not agree that it becomes a claim for action by the claims board. But there are many cases where we have a mixture of claims, on account of construction, wage awards, etc., growing out of a claim, as a part of the contract.

The CHAIRMAN. Well, what procedure is followed in those cases?

Mr. ADAMSON. The same procedure.

The CHAIRMAN. What procedure is followed in merely construction claims, not involving cancellation?

Mr. ADAMSON. In construction claims, where the claimant and the district manager are in disagreement as to the allowance for Government extras on the ship, the matter would usually be referred to the manager for ship construction, and if he can not settle it, then it goes before the board as a claim. Then we report upon it in the usual manner.

The CHAIRMAN. Are you advised, after a claim is settled, upon what basis it was settled?

Mr. ADAMSON. At the present time I am getting copies of the minutes of the—

The CHAIRMAN (interposing). No; I mean as a part of the procedure; are you advised after the matter goes up to the Shipping Board and settlement is made, are you advised upon what basis the settlement is made?

Mr. ADAMSON. I get copies of the minutes and copies of the contracts on which settlement has been made.

The CHAIRMAN. How long have you been getting them?

Mr. ADAMSON. Well, I think since last May or June the settlement contracts have all been referred to the general comptroller's department for notation as to the financial obligations involved.

The CHAIRMAN. In the settlement of a claim, just what does this district adjuster look into; what investigation does he make; does he audit the books?

Mr. ADAMSON. No; he does not audit the books.

The CHAIRMAN. What investigation does he make, and what is the idea of sending it to the district adjuster?

Mr. ADAMSON. It is quite obvious that the board sitting in Washington can not make an investigation of a case on the Pacific coast; you must have some agency near the place to make investigation and recommendations.

The CHAIRMAN. You have all this—

Mr. ADAMSON (interposing). We have not the facts under oath; we have the claim under oath.

The CHAIRMAN. What does he do; how does he work?

Mr. ADAMSON. Let us say that a contractor claims that he has \$2,000,000 worth of materials there, on account of hulls—

The CHAIRMAN (interposing). Yes.

Mr. ADAMSON (continuing). The district adjuster has an inventory made to determine the actual quantity of material; that material is priced by the auditors of the general comptroller's department. So we set up the actual cost, and the inventoried cost of the material that is found to be there. And he gets the facts, such as the evidence, to be used as a basis for his recommendation.

The CHAIRMAN. Is that the first inventory you have of that property?

Mr. ADAMSON. That is usually the first physical inventory we have. We have a book inventory, but you see we are not interested in the cost of a lump-sum contract. We do not keep the contractor's books and do not know and, as a matter of fact, should not care, just what his inventory is. In the case of cancellation, however, it becomes necessary then to determine just what we are responsible for—that is, the quantity of material, for instance, for which we must reimburse—the value of the labor for which we must reimburse.

The CHAIRMAN. What else does this district adjuster do?

Mr. ADAMSON. Well, he gets these facts and negotiates with the contractor to try to arrive at a basis of settlement which can be recommended to the claims board.

The CHAIRMAN. What does he do besides getting this inventory?

Mr. ADAMSON. Well, he goes into negotiations with the contractor, and they sit down there and might talk back and forth a week, or two weeks, trying to get to some basis of settlement. The contractor claiming certain facts and the district adjuster setting up certain facts. And they usually strike some basis on which they can come to an agreement, and a recommendation is made.

The CHAIRMAN. Then he makes a recommendation to the claims board?

Mr. ADAMSON. He makes a recommendation to the claims board.

The CHAIRMAN. Of course, in writing?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Usually a recommendation that is in accordance with his investigation?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. And that is accepted by the contractor?

Mr. ADAMSON. Not in all cases acceptable to the contractor.

The CHAIRMAN. Now, take the case where it is acceptable to the contractor—

Mr. ADAMSON (interposing). Yes.

The CHAIRMAN. It goes then to the claims board?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Then the claims board passes upon it?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. What do they do?

Mr. ADAMSON. Very frequently, where we receive a claim from a district adjuster that is acceptable to the contractor—that has been recommended for settlement on a basis acceptable to the contractor—we go into it and find that apparently the district adjuster has made allowances that are excessive. We recommend accordingly, and in many cases the claims board will reduce the allowances.

The CHAIRMAN. Then, of course, it is no longer acceptable to the contractor?

Mr. ADAMSON. No longer acceptable, but frequently accepted.

The CHAIRMAN. Frequently accepted?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. And then what do you do, pass it along to the Shipping Board?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Are all settlements made by the board direct?

Mr. ADAMSON. The claims board?

The CHAIRMAN. The Shipping Board, I should say; I mean, eventually the final settlement is made by them?

Mr. ADAMSON. That is the present procedure before the Shipping Board passes upon it. Of course, at one time the claims board took what was equivalent to final action.

The CHAIRMAN. Do you know of any claims being settled and allowances made by the Shipping Board which were not recommended by the cancellation claims board, or by the district adjuster?

Mr. ADAMSON. Not by the Shipping Board as at present constituted.

The CHAIRMAN. Well, constituted in any way; any Shipping Board while you have been with it?

Mr. ADAMSON. Well, the board of trustees has acted upon cases on its own initiative, and without always following the recommendation—

The CHAIRMAN (interposing). That is, the board of trustees of the Emergency Fleet Corporation?

Mr. ADAMSON. The board of trustees of the Emergency Fleet Corporation.

The CHAIRMAN. Does the cancellation claims board or the construction claims board report to the Shipping Board, or to the Emergency Fleet Corporation?

Mr. ADAMSON. They report, you might say, to the Shipping Board at the present time.

The CHAIRMAN. How long have they been reporting to the Shipping Board?

Mr. ADAMSON. I think about a month, or a month and a half.

The CHAIRMAN. Prior to that, to whom did they report?

Mr. ADAMSON. The board of trustees of the Emergency Fleet Corporation.

The CHAIRMAN. You say the trustees of the Emergency Fleet Corporation have, in some instances, settled claims by making allowances in excess of those recommended by the construction claims board or the district adjuster?

Mr. ADAMSON. I think that might be true; yes, in some cases. Of course, the board of trustees are the final authority on the settlements.

The CHAIRMAN. Were you, or any of your staff—would you be called into conference on those settlements?

Mr. ADAMSON. Well, I have been before the board of trustees on a very few settlements.

The CHAIRMAN. Do you know of any claims which have been filed with the Shipping Board, say, within a few months, for cancellation of contracts, in the early part of 1919, which have grown since that time?

Mr. ADAMSON. Yes; there are quite a number of claims that were filed in 1919 that have grown in amount.

The CHAIRMAN. What is the reason for the increases?

Mr. ADAMSON. Well, the contractors, I suppose, want more money.

The CHAIRMAN. Is that the only reason you know?

Mr. ADAMSON. Well, I can not tell what has actuated the contractor in increasing his claim.

The CHAIRMAN. The original claim was filed under oath?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. And later a supplemental claim or claims have been filed?

Mr. ADAMSON. Yes, sir. Of course, when the original claim was filed, in a great many cases, the contractor specifically reserved the right to add other items of claims.

The CHAIRMAN. Are you familiar with the claim of the Standifer Co.?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. That is located at Vancouver?

Mr. ADAMSON. Yes; North Portland, I believe.

The CHAIRMAN. Do you know how much was claimed in that case originally?

Mr. ADAMSON. They filed a claim, April 14, 1919, in the amount of \$1,639,266.54.

The CHAIRMAN. And what was that based on—construction or cancellation, or both?

Mr. ADAMSON. That was based on cancellation, and it was made up largely of materials on hand.

The CHAIRMAN. What is the amount of their claim at the present time?

Mr. ADAMSON. The amount of their claim, as before us now, is, in gross terms, about \$7,396,351.13; but a part of that is a practical duplication of claim, because it is put in on a contingent basis, so the net amount of the claim before us is now \$6,578,534.13.

The CHAIRMAN. Have you examined this claim?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Have you made any recommendations for its settlement?

Mr. ADAMSON. I have prepared a report making recommendations, but have not yet transmitted it, because I am trying to get certain additional facts on some other claims.

The CHAIRMAN. That is a matter that is pending, then?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. And no recommendation has been made to the board?

Mr. ADAMSON. There were a number of contracts which the Standifer Co. had. This is contract 503, a steel-ship contract, and they had several wood-ship contracts on which there are claims, and I wanted to transmit all of those at the same time, and for that reason have not yet transmitted a definite recommendation on the steel ship.

The CHAIRMAN. When you transmit a claim, you transmit your recommendations and your objections, if there are items of objections?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Has the Todd Shipyard Construction Co.—what is the name of the Todd yard at Tacoma?

Mr. ADAMSON. The Todd Drydock & Construction Co.

The CHAIRMAN. Did they submit a claim originally in March, 1919?

Mr. ADAMSON. I do not recall any claim that they submitted at that time; there may have been a statement submitted, and I can not recall it.

The CHAIRMAN. Well, have they submitted a claim?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. When was it submitted?

Mr. ADAMSON. The claim as now before us, I think, was submitted about two or three months ago.

The CHAIRMAN. Well, don't you know just when it was submitted?

Mr. ADAMSON. I do not know the exact date of its submittal to the district adjuster.

The CHAIRMAN. Why don't you know that?

Mr. ADAMSON. Well, I could ascertain it, but I do not happen to have it in mind.

The CHAIRMAN. But you do, in your ordinary routine, know the exact date claims are submitted?

Mr. ADAMSON. Yes; we have in the claims board sworn copies of the claims.

The CHAIRMAN. What is the amount of their claim?

Mr. ADAMSON. That claim is about \$8,524,000.

The CHAIRMAN. Based upon construction and cancellation, or both?

Mr. ADAMSON. The large part of it was based on cancellation, 14 out of 24 vessels—No. 423. The greater part of the claim—I should say about half of the claim, was on account of materials on hand.

The CHAIRMAN. Materials on hand?

Mr. ADAMSON. Yes; and then practically the other half of it was based on amortization of plant extensions for the Tacoma plant.

The CHAIRMAN. Is that plant still running, or do you know?

Mr. ADAMSON. I think so.

The CHAIRMAN. Doing private work?

Mr. ADAMSON. I believe they are doing some Navy work. They have three scout cruisers for the Navy and possibly some private work?

The CHAIRMAN. What I meant by private work, they are doing work there for the Shipping Board and the Fleet Corporation?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Have you made your recommendations on that claim?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Filed objections to it?

Mr. ADAMSON. The district adjuster made recommendations that were about \$8,759,000, and I have recommended about \$2,529,000 less than the district adjuster recommends.

The CHAIRMAN. How are you able to reduce a claim that amount after the district adjuster has been on the ground, talked with the contractor, seen the yards, had an inventory made of the material, gone into the matter and sent it down to Washington, hundreds of miles away; what facts are within your knowledge, that enables you to say that the district adjuster has recommended a claim, say, in this instance, of \$5,000,000 or \$6,000,000 to much?

Mr. ADAMSON. Well, the difference is very largely in plant amortization. The district adjuster was interpreting our contract relations in a manner that I disagreed with, and I took it up with the acting general counsel, and I found that the district adjuster was wrong.

The CHAIRMAN. Oh, yes. It is a question of interpretation of the contract upon which you went to the counsel of your Board?

Mr. ADAMSON. The district adjuster had accepted the contractor's claim, and we had amortized 90 per cent of the cost of extension, and under certain contractual relationships, followed up by letters, which had the validity of contracts, our liability to amortization was only 48 per cent of the total cost of plant extensions up to a fixed figure.

The CHAIRMAN. Now, you say you referred that to the counsel of the Shipping Board?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. And as a result of his advice you recommended a reduction of the claim?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Did you find any evidences of improper practices or illegal expenditures of money, or anything tainted with fraud in it?

Mr. ADAMSON. No, sir.

The CHAIRMAN. Have you in any cases?

Mr. ADAMSON. Well, I do not know of any—I can not recall any case, or anything tainted with fraud, Mr. Walsh.

The CHAIRMAN. Well, improper expenditures of money?

Mr. ADAMSON. Well, of course, in a great many cases of claims you will find what we might regard as an improper expenditure of money. That is, money might have been spent by a contractor on an extension of his plant, when it was the intention of the contract that such money should be spent on ship construction. We might regard that as improper, although it might not be fraudulent.

The CHAIRMAN. That is a matter that would be adjusted, of course?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. If, under a contract, a certain amount of money is supposed to be advanced for ship construction and the contractor needed plant work to be done at that time and used the money for

that purpose, that could later be adjusted; the Government need not necessarily suffer because that was done.

Mr. ADAMSON. If the contractor has sufficient assets to make recovery.

The CHAIRMAN. If he goes on with his work and has material there, that can be straightened out?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. And that has been done in a great many cases?

Mr. ADAMSON. Yes; we have withheld payment on the construction work in order to be sure to protect ourselves in that kind of an expenditure.

The CHAIRMAN. Has the Downey Shipbuilding claim been settled?

Mr. ADAMSON. An award has been made by the construction claims board, but it has not been accepted by the Downey Co.

The CHAIRMAN. What was the amount of their claim, do you know?

Mr. ADAMSON. \$21,000,000 plus—I will give you the exact figure in a moment—\$21,231,235.69.

The CHAIRMAN. What was the award?

Mr. ADAMSON. The award was \$15,174,000, and, I think, \$413.52; \$15,174,000 plus.

The CHAIRMAN. Now, that was just for the Downey Shipbuilding Corporation contracts?

Mr. ADAMSON. Yes; the contract No. 30-SC, for 10 ships.

The CHAIRMAN. How many of those ships did they deliver, do you know?

Mr. ADAMSON. All of them.

The CHAIRMAN. They were all delivered?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. And do you know how many of them were delivered within the contract time?

Mr. ADAMSON. I do not believe that any of them were.

The CHAIRMAN. Is it not a matter of fact that certain ships were to be delivered at various dates some six months apart, and that the first ship was not delivered prior to the date for the delivery of the last ship under the contract?

Mr. ADAMSON. I do not recall the delivery dates fixed in the contract, but I should say that they were 10 months behind on their deliveries on an average.

The CHAIRMAN. Did they state the reason for the delay in delivery in their claim?

Mr. ADAMSON. Oh, yes; they set up very heavy claims for the alleged acts of the Government, or the Fleet Corporation, in the failure to deliver steel to the plant, and failure to deliver steel for the ships.

The CHAIRMAN. So that if there were delays it may have been occasioned by failure to get material to the yard?

Mr. ADAMSON. There may have been some delay, but the delay on that account was the fault of the contractor; he did not put in his schedule for steel promptly.

The CHAIRMAN. How does your district adjuster find out anything about that delay in the delivery of material; how can he find out months after the contract is completed, or when the claim for settlement is put in; how can he find out just when the material was actually delivered?

Mr. ADAMSON. Of his own act he can not find out; he must rely on the auditors for the department.

The CHAIRMAN. On the plant?

Mr. ADAMSON. No; the Emergency Fleet Corporation auditors. In that case I had an actual audit made to the point of delivery of every pound of steel.

The CHAIRMAN. As compared with the submission of the schedule?

Mr. ADAMSON. That audit was not related to the schedule in every case.

The CHAIRMAN. What kind of a contract did they have?

Mr. ADAMSON. They had a lump-sum contract, 10 ships of 7,500 dead-weight tons each, price to be \$155 a ton.

The CHAIRMAN. That did not include the Providence Engineering Co.'s contract?

Mr. ADAMSON. No, sir.

The CHAIRMAN. Did you settle with them.

Mr. ADAMSON. The Providence Engineering Co.'s contract has not been entirely settled. I believe the latest information I had on that, possibly is that \$28,000 or \$30,000 remained to be paid to the Providence Engineering Co., provided we are liable for protection on the price of boiler steel. If it should be decided by the general counsel that we are not liable for this protected price on the boiler steel, then the accounts just about balance as they stand; the boiler steel is just about the same amount of money as we owe them for construction work.

The CHAIRMAN. Have you got any idea what the total amount of outstanding claims against the Fleet Corporation or the Shipping Board is on account of construction work, or cancellation, or both?

Mr. ADAMSON. I can not give it to you on account of the construction work or cancellation, because they are so interwoven.

The CHAIRMAN. Well, the two together?

Mr. ADAMSON. At the present time, those we know about, some of which have not yet been formally filed, we have about \$148,000,000 worth of claims, but that includes \$53,000,000 for just reclamation of ships—reclaiming of requisitioned ships on the ways; but the contract shipping claims would run to \$95,000,000 to \$97,000,000. A great many of those claims have already been passed upon.

The CHAIRMAN. Can you give us any idea of how much has been awarded on that amount of claims?

Mr. ADAMSON. Out of that amount of claims?

The CHAIRMAN. Yes.

Mr. ADAMSON. We have included in the figures I have given you certain awards that have already been made, but not paid. There are unpaid claims in the home office of \$840,000. And then there are claim awards on which final agreements have not been prepared, amounting to \$5,393,000.

And there are claims awaiting action by the construction claims board of fifty-three million and odd dollars. Claims in the office of the district adjusters approximately \$6,000,000. There are claims on which awards have been made, but not accepted by the contractor, amounting to \$17,000,000. Over \$10,000,000 of claims not yet formally filed, which we treat as anticipated claims. We know they are on the way, and we will get them.

The CHAIRMAN. How do you figure the amount of a claim that is not yet filed; how do you know?

Mr. ADAMSON. In some cases we have been informed definitely of the amount down to a penny, but the claim has not yet reached us.

The CHAIRMAN. Is there any provision in the shipping act which permits the board or the Fleet Corporation to pay 60 per cent, or a certain percentage of the claim which they estimate is due and require the claimant to go to the Court of Claims for the balance?

Mr. ADAMSON. I do not know anything in the shipping act to that effect. I know that the board did proceed for a time—that is, proceeded on the theory that it could make awards for 75 per cent, and that the claimant could then go to the Court of Claims for the remainder, and sue for the additional claims which had not been allowed.

Mr. CONNALLY. Would it interrupt you to suggest at this point a question?

The CHAIRMAN. No.

Mr. CONNALLY. You do not have to go to the Court of Claims; could you not go to any district court?

Mr. ADAMSON. I thought it was the Court of Claims.

Mr. CONNALLY. That was a general act.

The CHAIRMAN. That was military and naval claims. They did pay 75 per cent?

Mr. ADAMSON. In certain cases; yes.

The CHAIRMAN. And do you know whether those cases have been adjusted?

Mr. ADAMSON. I do not believe that any of them have been finally adjusted.

The CHAIRMAN. Why did they adopt a different method; why did they not do that with all the claims?

Mr. ADAMSON. Well, it was not necessary to do any such thing as that where the contractor was willing to accept the award which was made.

The CHAIRMAN. No; but I mean why did they not do that, where they could not come to an agreement, in all the other cases?

Mr. ADAMSON. Well, in order to make a 75 per cent payment we had to arrive at some award first, to get the 75 per cent of that award, and they were so far apart in many cases that they could not come to any agreement by which the contractor would be willing to accept 75 per cent of the amount that the board was willing to pay.

The CHAIRMAN. That was not necessary.

Mr. ADAMSON. Then, in certain cases maybe a definite award said, "We will pay you 75 per cent now, and then you can sue for the remainder and the additional amount which you claim."

The CHAIRMAN. Why was not that done in all these cases where no agreements were made as to settlement, do you know?

Mr. ADAMSON. There are very few cases, Mr. Chairman, where they have not come to some final agreement where the award has been made. The Downey case is one and the Pusey & Jones is another. The Pusey & Jones is already in the Court of Claims.

The CHAIRMAN. Do you know of any cases where the Shipping Board has settled any claim for less than the construction or cancellation claims board has recommended?

Mr. ADAMSON. I think we have cases in the Washington board that were settled at a price less than recommended by the claims board.

The CHAIRMAN. Can you recall one of those cases?

Mr. ADAMSON. I can not recall, but I know there have been cases.

The CHAIRMAN. Can you look that up and let us know later?

Mr. ADAMSON. Yes; I can, Mr. Chairman.

The CHAIRMAN. Now, can you tell us how many cases have been settled at the figure recommended by the construction or cancellation boards?

Mr. ADAMSON. No, sir; I can not tell you, but I can look that up for you.

The CHAIRMAN. Will you look that up for us?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Also let us know how many cases have been settled by the Shipping Board, or the chairman, at figures in excess of the recommendations of the construction or cancellation boards.

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Now, was the regular method of procedure followed in the American Shipbuilding Corporation?

Mr. ADAMSON. The regular method?

The CHAIRMAN. The method you have outlined?

Mr. ADAMSON. No, sir; it was not. At that time the procedure was not definitized as it is to-day.

The CHAIRMAN. At that time they had no well-established policy for adjusting claims?

Mr. ADAMSON. They had a claims board, but this matter did not go before the claims board for settlement.

The CHAIRMAN. How was that settlement reached?

Mr. ADAMSON. The settlement was negotiated by Mr. Martin Gillen, who came to Philadelphia and spent a day or two there with Mr. Ackerson and others, and made a report to Judge Payne, and as a result of his negotiations the contract was drawn up, settling on the basis of the claim as presented by the contractor, the American Shipbuilding Co.

The CHAIRMAN. That is the concern that struck out some \$23,000,000 or \$27,000,000 of the profit which it was represented they were not permitted to take on account of a resolution of their board of directors?

Mr. ADAMSON. That is a concern which was originally on a lump-sum basis; it had quite a number of contracts, let in six different groups.

The CHAIRMAN. Now, was it the concern that reduced the claim, or the apparent amount due by some \$20,000,000 and gave as a reason a resolution of their board of directors limiting them to a certain percentage of profit?

Mr. ADAMSON. That is the concern which Mr. Charles Piez compelled to make a new contract, changing from the lump-sum to the cost-plus basis—

The CHAIRMAN (interposing). I am not asking about Mr. Piez or a different contract, or anything, but I am asking if that is the concern—

Mr. ADAMSON (interposing). I am giving you an explanation.

The CHAIRMAN. Will you answer the question? Read the question.

(Thereupon the reporter read the question referred to, as follows:)

Now, was it the concern that reduced the claim, or the apparent amount due by some \$20,000,000 and gave as a reason a resolution of their board of directors limiting them to a certain percentage of profit?

Mr. ADAMSON. The American Shipbuilding Co. did not, itself, reduce that amount, as I started to explain, Mr. Chairman.

The CHAIRMAN. Now, I am perfectly willing for you to explain; what was the history of the contractual relations of the Shipping Board with that concern?

Mr. ADAMSON. Well, we had a very large number of contracts with them; that is, a contract for a very large number of ships, and the contracts were made at lump-sum prices, which were regarded as being rather high, and there was, as I am informed, quite a definite understanding at the time that there would be a revision of prices downward in case the developments should justify it. Some time in the summer, I believe, of 1918, Mr. Piez happened across a copy of their financial statement, the financial statement of the American Shipbuilding Co., which showed quite a large profit, and I think he then called upon them to come in and make new contracts on a cost-plus basis, which would absolutely prohibit any excess profits.

The CHAIRMAN. Cost plus what?

Mr. ADAMSON. Cost plus 10 per cent. And as a result of that they did make a new cost plus contract, No. 521.

The CHAIRMAN. Covering—

Mr. ADAMSON (interposing). Covering all of the lump-sum contracts into this one cost-plus contract.

The CHAIRMAN. Covering work which was in progress under previous contracts?

Mr. ADAMSON. Yes; this was retroactive, put on the cost-plus basis, and absolutely prohibited any profits in excess of 10 per cent. This was a contract which was designed to make excess profits impossible, which was made in October, 1918. It was estimated at that time that the savings effected by the contract which Mr. Piez made with them, changing from these various lump-sum contracts into the cost-plus contract, amounting to about \$20,000,000. That is all I have ever known the American Shipbuilding Co. to forego in the way of profits or prospective profits.

The CHAIRMAN. Do you know anything about a resolution of their board of directors limiting them to a 10 per cent profit?

Mr. ADAMSON. Yes; that resolution was incorporated in the contract which Mr. Piez made with them, in October, 1918.

The CHAIRMAN. How is that?

Mr. ADAMSON. That was incorporated in their contract, wherein they set that up as a preamble, and what you might regard as a preachment against profits in the contract.

The CHAIRMAN. Now, what was the settlement with them?

Mr. ADAMSON. The final settlement was made in May, 1919 and I think the final settlement figure was \$131,813,000.

The CHAIRMAN. What was the original lump-sum contract?

Mr. ADAMSON. The original lump-sum contracts—they were for \$139,095,250; that was the lump-sum contracts for 176 ships.

The CHAIRMAN. How many ships did they complete?

Mr. ADAMSON. All of them.

The CHAIRMAN. And they were settled with for one hundred and thirty-one million dollars odd?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. So, irrespective of claims for overtime, experts, and various other matters on the face of the contract, there was a difference of some \$8,000,000, which resulted in a saving to the Government?

Mr. ADAMSON. No. At the time the final settlement was made these lump-sum contracts did not exist, and we were not liable for \$139,000,000, but were liable for only the cost, plus 10 per cent.

The CHAIRMAN. I am talking about the changing from the lump sum to the cost plus, and the saving.

Mr. ADAMSON. The saving was greater than indicated in that difference.

The CHAIRMAN. I know; but I am talking about the saving in changing from the lump sum, and that provided for in the cost plus. Of course, under the lump sum there would have been claims for experts and other things which would have brought the \$139,000,000 up to much more than that.

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Now, that settlement, you say, was not made by the district adjuster, or the construction claims board?

Mr. ADAMSON. No, sir.

The CHAIRMAN. But was made by Mr. Gillen?

Mr. ADAMSON. Mr. Gillen was the man that handled it for Judge Payne.

The CHAIRMAN. Handled it for Judge Payne?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. When was that settlement?

Mr. ADAMSON. I think the date of the settlement contract was October 24, 1919.

The CHAIRMAN. Did that contract come under your observation for investigation or recommendation?

Mr. ADAMSON. The contract did not, but the proposed settlement did.

The CHAIRMAN. I meant the settlement.

Mr. ADAMSON. The proposed settlement did.

The CHAIRMAN. Did you make a recommendation?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. What did you recommend?

Mr. ADAMSON. I recommended that no settlement be made until after we could make an audit to determine just what our ultimate obligations would be, because it appeared to me that the amount claimed would be greater than our liability would be under this cost-plus contract.

The CHAIRMAN. Was an audit made?

Mr. ADAMSON. No, sir. They decided that it would be an expensive thing to make an audit, and they wanted to go ahead and make the settlement, and one of the reasons for making this settlement was to avoid an audit.

The CHAIRMAN. Well, did you have any information before you upon which you were prepared to say that the proposed settlement was excessive in amount?

Mr. ADAMSON. I had no absolutely certain information. At that time Mr. L. E. Houston was one of my assistants; Mr. Houston had been district comptroller of the Great Lakes district, and had had an opportunity to closely observe the work in the American Shipyards, and it was his opinion that the costs under the cost-plus contract would be less than the \$132,515,000 claimed by the American Shipbuilding Co.

The CHAIRMAN. Do you know what he based his opinion on?

Mr. ADAMSON. Just from his knowledge of the conditions there, and the cost of accounting; the ships completed, and his general knowledge of the conditions.

The CHAIRMAN. Well, the same knowledge that these district adjusters have now in making recommendations?

Mr. ADAMSON. Oh, no; a much more intimate knowledge, growing out of the daily handling of the forces of this corporation.

The CHAIRMAN. Did he fix any figure which he thought was a proper settlement?

Mr. ADAMSON. No, sir; it was his opinion that we could not set up a reliable figure without a real audit.

The CHAIRMAN. A real audit would have cost practically as much as the amount in the settlements?

Mr. ADAMSON. Well, the amount involved in the settlement was millions, and the amount of an audit would have been probably \$50,000 or \$60,000.

The CHAIRMAN. You could have audited the books of that company for that amount under these contracts?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Did you have auditors there in their yard?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. While the work was going on?

Mr. ADAMSON. We had a rather limited audit during the lump-sum period, because it was not necessary to get their costs. Of course, after the cost-plus contract was made, then we had a rather real audit.

The CHAIRMAN. Well, as a result of any of these auditors' reports could you ascertain whether there was any excessive costs allowed?

Mr. ADAMSON. Not any excessive costs at that time.

The CHAIRMAN. Yes.

Mr. ADAMSON. No; there was nothing to indicate there was any excessive costs. In fact, the indications were that the ships would be built at a considerably less price than had been anticipated.

The CHAIRMAN. Then what is it that you base your belief on that this settlement for \$131,000,000 should not have been made because a thorough audit would have shown a less amount due?

Mr. ADAMSON. I base it largely on what Mr. Houston told me about conditions there; and then I felt this way, that the contractor himself would not have come along and set up a maximum of \$131,515,800 as the ultimate cost, if he had not felt it was a pretty high figure. The contractor refused to certify that figure in presenting his proposal for settlement. He made it quite clear that he could not certify those figures, or guarantee them in any way as being too high or too low.

The CHAIRMAN. Then that proposal, or that claim, was not submitted under oath?

Mr. ADAMSON. No; the proposal was in the form of a letter.

The CHAIRMAN. Then the situation is, with reference to this contract, that the settlement was negotiated in behalf of the Shipping Board and the Fleet Corporation by Mr. Gillen and effected by the chairman of the board, Judge Payne?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. And because there wasn't any audit made, you have a feeling that the settlement was excessive?

Mr. ADAMSON. Well, I have this feeling: That nobody knows whether it is excessive or not; that it is an unwise thing, when we are protected by a contract which limits us to cost plus 10 per cent to make a settlement on some estimated cost. I think we ought to have taken a chance on the completion of the contracts and find out just what the costs should be.

The CHAIRMAN. Now, this cost plus permits a percentage upon the increased wage allowances?

Mr. ADAMSON. That was never determined. In other contracts where the contract on its face did permit it I raised the question with the legal division, I obtained opinions to the effect that we did not have to pay any profit on the increased wage, but as this contract was converted into a lump-sum contract, it was too late.

The CHAIRMAN. What did you say?

Mr. ADAMSON. I say, this contract having been converted into a lump-sum contract in the final settlement, we can not then raise the question. Of course, as the settlement was made, the profits were paid on the increased wages.

The CHAIRMAN. What do you mean that it was converted to a lump sum; I thought it started out as a lump sum and was changed to a cost plus?

Mr. ADAMSON. Yes; and then reconverted to a lump sum.

The CHAIRMAN. A new contract made?

Mr. ADAMSON. Yes; the one we have been discussing, by Mr. Gillen.

The CHAIRMAN. That was the contract for settlement?

Mr. ADAMSON. Yes, the lump sum up to that date. Of course, any extras after the settlement must be paid for separately.

The CHAIRMAN. Was the settlement made before the ships were completed?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. And delivered?

Mr. ADAMSON. Oh, certainly. This settlement was made when we had quite a large part of the program still to complete.

The CHAIRMAN. The final settlement of this company was made before their contract was completed?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Well, do you know of any other cases in which that has been done?

Mr. ADAMSON. I do not recall any right now, but I am sure there have been other adjustment contracts made.

The CHAIRMAN. Why was that done?

Mr. ADAMSON. Well, I thought in this case that one of the things they had in mind—the contractor had in mind—was to get a settlement which would enable him to handle his matter of income taxes with a little freer hand. I think that was one of the reasons stated. It was a question of taxes and the amount to be allowed in amortization of the plant.

The CHAIRMAN. And for that reason they settled before the ships were completed or delivered?

Mr. ADAMSON. That was one of the reasons.

The CHAIRMAN. Were any anticipated profits permitted in this contract of settlement?

Mr. ADAMSON. The contract of settlement was based on figures supplied by the contractor, which, of course, included his anticipated profit of 10 per cent for the work yet to be done. Inasmuch as the lump-sum price used in this contract was for the completed program, they had to include their anticipated profits.

Mr. CONNALLY. Let me ask right there: You do not mean to say that this settlement was had and money paid before the ships were completed and delivered? You simply mean that they agreed on this amount?

Mr. ADAMSON. Absolutely: yes, sir.

Mr. CONNALLY. As the full price, before the completion and delivery of those ships, and withheld the payment—I do not mean all of it, but made along as the ships were delivered. Is that what you mean?

Mr. ADAMSON. Yes. As a matter of fact, when this settlement was made, we had paid all but \$10,000,000 of the \$131,000,000.

Mr. CONNALLY. Then, these ships were afterwards completed and delivered?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. When was the \$10,000,000 paid?

Mr. ADAMSON. I do not believe there has been a final payment on the contract, Mr. Chairman. I think there has been quite a number questions about extras.

The CHAIRMAN. Then, there has not been a settlement with this shipbuilding company?

Mr. ADAMSON. Of course, the big basis of settlement is laid down in this settlement contract.

The CHAIRMAN. That was not the settlement contract, was it?

Mr. ADAMSON. We settled on the contract price for the ships.

The CHAIRMAN. It was not any more of a contract than any contract for ships?

Mr. ADAMSON. It was a contract——

The CHAIRMAN (interposing). It was not the contract settlement?

Mr. ADAMSON. We have always regarded it as a reconversion into the lump-sum contract.

The CHAIRMAN. And not a contract of settlement at all?

Mr. ADAMSON. No, sir.

The CHAIRMAN. So they started out with the American Shipbuilding Corporation in Cleveland for a number of ships, and after Mr. Piez saw the financial statement which indicated to him they were making excessive profits he brought the company in and required them to go ahead under a cost-plus contract, and when the company had proceeded along under that conversion of contract, Mr. Gillen negotiated a change of that contract for the completion of the remaining ships to be built, and those under construction, back into a lump-sum contract?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. And they went ahead and delivered the ships and no final settlement has ever been passed under this last contract?

Mr. ADAMSON. That is correct.

The CHAIRMAN. So the Gillen negotiation was not a contract of settlement at all, any more than any contract for the completion of ships was a contract of settlement; the money has not been paid, and there are still some claims pending to be adjusted?

Mr. ADAMSON. That is correct.

The CHAIRMAN. Have you examined the papers and arguments in this particular case; are you familiar with them?

Mr. ADAMSON. Just fairly.

The CHAIRMAN. And it is your understanding that the American Shipbuilding Corporation did not come in voluntarily and say "That under a vote of our board of directors we are not permitted to receive more than 10 per cent profit, and we are entitled to so much money, which is some twenty odd million dollars more than that 10 per cent, and we refund that to you"?

Mr. ADAMSON. I do not believe it was a voluntary act on the part of the contractor, but that the contrary is true, that they were asked to come and then they did agree, and the board of directors did adopt such a resolution as was indicated.

The CHAIRMAN. But the resolution was adopted afterwards, and not before?

Mr. ADAMSON. I do not recall the date of the resolution.

The CHAIRMAN. At least the resolution was not of record, according to your recollection, at the time they entered into the lump-sum contract?

Mr. ADAMSON. No; the resolution was not adopted at that time, and was not adopted until quite a long time afterwards.

The CHAIRMAN. Do you know anything about the settlement, or did you have anything to do with the settlement of the White Haven shipbuilding contract?

Mr. ADAMSON. I had nothing to do with its settlement.

The CHAIRMAN. Was that passed upon by the construction claims board?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Has that been settled?

Mr. ADAMSON. The board of trustees has passed two resolutions which settled it—I believe the last resolution was in settlement of all claims which accrued—

The CHAIRMAN (interposing). When I used the term "settlement," Mr. Adamson, I mean has the money been paid, and is the shipbuilding company clear of all claims; have they paid the money and finally closed the account?

Mr. ADAMSON. My opinion is that the money has been paid; that all money which was required to be paid under the last resolution of the board of trustees has been paid.

The CHAIRMAN. How much was that?

Mr. ADAMSON. \$30,000 in final settlement.

The CHAIRMAN. How much was the claim?

Mr. ADAMSON. I do not recall the exact figures of the claim; it would have been in excess of that amount. Of course, Mr. Chairman, that was only a balance. And further credit had been given the contractor before this \$30,000. There was quite a difference between our figures and the White Haven Co.'s figures. We thought the contractor would owe us quite a considerable sum of money.

The CHAIRMAN. That is, the construction claims board did?

Mr. ADAMSON. The general comptroller's department and the district comptroller's thought they would owe us a considerable sum of money. I want to guard against any possible misunderstanding of my answer to that question. You asked me whether the claims board passed on this matter, and I said yes. The claims board passed on one phase of this matter, which was a claim for \$102,000 for increased wage awards.

The CHAIRMAN. What did you recommend?

Mr. ADAMSON. I recommended that nothing be allowed, and the claims board adopted a resolution disallowing the claim.

The CHAIRMAN. Now, how could that shipbuilding concern owe the Shipping Board money under its contract, unless some overpayments had been made?

Mr. ADAMSON. Because of advances that had been made, either in materials or cash.

The CHAIRMAN. Well, does not the Shipping Board have any way of supervising advances in materials, so that they know whether they are overpaying or overadvancing to a concern?

Mr. ADAMSON. It has ways, Mr. Chairman; but you will appreciate that during the war, when there was a demand for ships, in certain cases contractors were not able to finance themselves and carry on the work, and it became necessary for the Fleet Corporation to carry on the work and finance them, and in many cases they were overpaid; that is, more advances than they had because of its progress of the work.

The CHAIRMAN. Now, do you know of any contractors which were overpaid, and which in a final settlement has resulted in them paying back to the Shipping Board, rather than the Shipping Board owing them anything, or paying them?

Mr. ADAMSON. Oh, yes; I think we have had a number of cases like that.

The CHAIRMAN. Can you recall any one?

Mr. ADAMSON. I can not recall offhand. There are so many. I think you will find a number of cases where the contractor has owed us money?

The CHAIRMAN. And has paid money?

Mr. ADAMSON. And has paid money.

The CHAIRMAN. So that the Government has suffered no loss on account of the dealings with that particular concern?

Mr. ADAMSON. That is right.

The CHAIRMAN. Now, you say there was \$102,000 of awards of claims for increased wage allowances which your board passed upon and disallowed?

Mr. ADAMSON. That is correct.

The CHAIRMAN. That has not been paid?

Mr. ADAMSON. Well—

The CHAIRMAN (interposing). Or allowed and settled?

Mr. ADAMSON. The contractors' claims and our allowances were quite far apart. In order to pay the contractor anything at all, allowances had to be made on his claims—well, I will say roughly \$140,000—that is, I do not recall the exact figures, but let us assume that from our statement of accounts the contractor owed us \$100,000. In order to let him get any money at all we would first have to make him an award sufficient to wipe out what he owed us, and then a further award of \$30,000 to make any payment to him.

The CHAIRMAN. How many ships did this concern build?

Mr. ADAMSON. Two.

The CHAIRMAN. Where?

Mr. ADAMSON. In Maryland.

The CHAIRMAN. Were they completed?

Mr. ADAMSON. I think they were entirely completed.

The CHAIRMAN. Do you know what the contract called for; how many?

Mr. ADAMSON. For two. They were schooner barges, the contract price being \$190,000 each. There were two objections which we had to the wage claim. In the first instance, that we were not legally liable for those increases, because under the contract he was liable for the wages as then established, and the other contractors with whom contracts were let in the same district and the same form of contract, never put in any claims for increased wage awards. Another objection was that his claim included a 10 per cent profit on the increased wage cost, and naturally we tried to follow the policy that no profits should be allowed on the increased wage cost.

The CHAIRMAN. I understand you to say there had been two resolutions passed, as you understood it, by the board of trustees, fixing a basis of settlement?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. What was the first amount agreed upon?

Mr. ADAMSON. I think it granted a credit of \$102,424.64 on account of the wage claim.

The CHAIRMAN. And that is all there was to the settlement?

Mr. ADAMSON. To that claim. Now, that, in itself, did not permit of any payment to the contractor.

The CHAIRMAN. No; and then there was another——

Mr. ADAMSON (interposing). Shortly thereafter there was another resolution which made a final settlement with them and awarded \$30,000 as payment to the contractor, in final settlement.

The CHAIRMAN. Did it include the credit of \$102,000?

Mr. ADAMSON. I never understood clearly what it did include, but it included sufficient to wipe out the debt of the contractor to us, and made us owe him \$30,000.

The CHAIRMAN. Were either of those resolutions authorizing settlement based upon recommendations which you or the comptroller's department made?

Mr. ADAMSON. No, sir.

The CHAIRMAN. Did you have anything to do with the settlement of the Terry Shipbuilding Corporation claims?

Mr. ADAMSON. No, sir.

The CHAIRMAN. Were they settled?

Mr. ADAMSON. We could not call it a settlement, exactly. We made a new form of contract which it was understood would be a basis of settlement.

The CHAIRMAN. Was that handled in the regular way?

Mr. ADAMSON. It was not handled under the same procedure as is followed now.

The CHAIRMAN. Well, was it handled under the procedure that was followed then; any general procedure?

Mr. ADAMSON. Well, there was not at that time any definite procedure. The claims board, as now constituted, had not begun

to function as it is now, and the general comptroller's department did not have the same relation to it. And, Mr. Chairman, when you ask me if it was handled in the regular way, I do not want to be understood in my answer as indicating that it was handled in any irregular way. It was quite regular and quite proper for the chairman of the board of trustees to take up a case and negotiate a settlement.

The CHAIRMAN. And each case was adjusted in accordance with the facts existing in that particular case?

Mr. ADAMSON. Well, you mean this Terry settlement was made in that way?

The CHAIRMAN. Yes.

Mr. ADAMSON. I do not believe the Terry contract of April 7, 1920, was based on reliable facts.

The CHAIRMAN. Who negotiated that settlement?

Mr. ADAMSON. My understanding is that it was negotiated directly between Judge Payne and the officials of the Terry Shipbuilding Corporation.

The CHAIRMAN. Well, did you have occasion to look into the matter?

Mr. ADAMSON. After the settlement was made I had occasion to look into it. When it came over to us the contracts, I believe, were brought over by the officials of the company, who wanted some immediate payment made, and I took the matter up with some of the officials at F Street, and we did not make any payment then, and I then wrote a report suggesting that the contract might be reopened.

The CHAIRMAN. Was it?

Mr. ADAMSON. It was.

The CHAIRMAN. So the settlement was not made on the original basis of the settlement agreed upon?

Mr. ADAMSON. Well, there were certain changes. On April 17 a supplemental agreement was made, which did not wipe out these April 7 contracts but made certain changes in the terms which were simply beneficial to the Fleet Corporation.

The CHAIRMAN. That was as a result of your recommendations?

Mr. ADAMSON. That was as a result, as I understand it, of this report which we made, calling attention to certain figures which were in disagreement with the figures used when Judge Payne was handling it.

The CHAIRMAN. How much was the total amount involved in the original arrangement?

Mr. ADAMSON. The total amount was over \$8,000,000.

The CHAIRMAN. How much was involved as a result of your recommendations?

Mr. ADAMSON. They did not reopen and go into the case on the basis of reaudit figures. They only reopened it to this extent, that they required the contractor to pay a larger price for the materials taken, and also eliminated an amount by the Fleet Corporation for converting certain dry cargo space into oil carrying capacity.

The CHAIRMAN. How much was the basis of settlement after the contract had been reopened?

Mr. ADAMSON. As I recall, it was just \$225,000 to the advantage of the Fleet Corporation in that instance.

The CHAIRMAN. Was there any other unexplained loss in connection with that adjustment?

Mr. ADAMSON. I do not know just how to answer on an unexplained loss. Of course, we suffered a heavy loss on the sale of materials as we had to suffer in practically all sales of materials, but I guess you could explain the loss.

The CHAIRMAN. Well, were there any other matters which you went into after those papers came to you, after the first adjustment agreement was entered into, where you recommended further deductions which were made, or which were not made?

Mr. ADAMSON. Why, it was my hope that they would reopen the case and go into it on its merits, so I asked Mr. John and Mr. Russ, the officials of the Terry Corporation, to come to my office, so they came over and spent several days right after this first contract was made; and I tried to get from them an exact statement of their claims. I then discovered that they were rather vague as to their own claims and these statements which I got from them were apparently somewhat at variance with the figures they had given to Judge Payne.

The CHAIRMAN. Did they have their books and documents with them?

Mr. ADAMSON. They did not have their books with them.

The CHAIRMAN. Then they had to deal from memory?

Mr. ADAMSON. They did have certain documents when they were talking to me, but apparently were depending on memory when they were talking with Judge Payne. I had them set up their figures, and in the limited time which I had, which indicated that their allowances were excessive.

The CHAIRMAN. And did you indicate any sum in which they might be excessive?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. How much?

Mr. ADAMSON. I can not recall—I would have to get the report, Mr. Chairman.

The CHAIRMAN. Did you make a written report of this?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Did you have anything to do with the Merrill-Stevens settlement?

Mr. ADAMSON. Well, I have had something to do with the handling of the case prior to its settlement. I did not have anything to do with the settlement as made.

The CHAIRMAN. That did not follow the procedure you have indicated here, going to you and then the district board?

Mr. ADAMSON. No; it did not go to the district board.

The CHAIRMAN. Did it go to the claims board?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Before an adjustment agreement was made?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. What amount was recommended by your board as a basis of settlement?

Mr. ADAMSON. Well, I do not want any confusion about this, Mr. Walsh. I am with the general comptroller. I simply report to the claims board and the claims board then passes a resolution recommending settlement, I think, on the basis that was finally adopted.

The CHAIRMAN. What was that?

Mr. ADAMSON. Well, under that settlement the Fleet Corporation took title to the South Jacksonville plant. That was the main plant at South Jacksonville. The Fleet Corporation settlement commitments amounting to about \$349,000. The Merrill-Stevens Corporation received title to the Slidell plant in Louisiana, and the Merrill-Stevens Corporation gave us notes and mortgages on the North Jacksonville plant in the amount of \$300,000.

Mr. STEELE. I did not understand your answer about the Slidell plant.

Mr. ADAMSON. The title to that went to the Merrill-Stevens Corporation.

Mr. STEELE. What was that valued at?

Mr. ADAMSON. The valuations ranged from \$200,000 to \$300,000. I think probably \$250,000 would have been the best estimate of its value.

The CHAIRMAN. What did you say about the Slidell plant?

Mr. ADAMSON. That was the value of the Slidell plant.

The CHAIRMAN. What else was it you said?

Mr. ADAMSON. We received a mortgage on the North Side plant of the Merrill-Stevens Corporation to guarantee the payment of that amount of money to us.

The CHAIRMAN. Now, was this a case in which an agreement was made as to settlement and later was reopened, or was this case settled upon the basis of the first agreement made?

Mr. ADAMSON. I do not know of any reopening of this case, Mr. Walsh, except possibly—

The CHAIRMAN (interposing). How much money was paid to the Merrill-Stevens Corporation in settlement, or how much was found due or recommended to be paid?

Mr. ADAMSON. They were to pay us this \$300,000.

The CHAIRMAN. Were there any bonds involved in the contract in this case which were later found to be worthless?

Mr. ADAMSON. Well, there were bonds which we took over, whether they were worthless or not I could not say.

The CHAIRMAN. What were they taken over for?

Mr. ADAMSON. As partial security.

The CHAIRMAN. What bonds were they?

Mr. ADAMSON. I can not say definitely; some bonds of the Slidell Co. and the Merrill-Stevens Corporation.

The CHAIRMAN. And the Fleet Corporation and the Shipping Board have title to those properties down there now?

Mr. ADAMSON. The Fleet Corporation took title to the South Jacksonville plant, but I believe has since sold that plant.

The CHAIRMAN. How about the Slidell plant?

Mr. ADAMSON. That, I have heard, has been sold by the Merrill-Stevens Corporation.

The CHAIRMAN. I thought you said we took title to it.

Mr. ADAMSON. No; that went to the Merrill-Stevens Corporation.

The CHAIRMAN. Did you not just tell Mr. Steele, when he asked you about the Slidell plant, that we took title to it?

Mr. ADAMSON. I don't believe I did.

The CHAIRMAN. What did you say about the Slidell plant?

Mr. ADAMSON. I said that the Slidell plant became the property of the Merrill-Stevens Corporation.

The CHAIRMAN. Well, whose property was it before?

Mr. ADAMSON. It was their property, but this was in final settlement.

The CHAIRMAN. They had a lot of other property, did they not?

Mr. ADAMSON. They had the South Jacksonville property, which they turned over to us.

The CHAIRMAN. Did they have the Louisiana property?

Mr. ADAMSON. The Louisiana property was the Slidell plant.

The CHAIRMAN. Was the Slidell plant involved here? The Slidell plant was not involved?

Mr. ADAMSON. Yes; it was involved, as well as the other.

The CHAIRMAN. They were permitted to retain it?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. And we took title to the other?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. And has been sold?

Mr. ADAMSON. I believe it has been sold.

The CHAIRMAN. Do you know how much more was allowed the Merrill-Stevens Corporation than you recommended?

Mr. ADAMSON. I never made a definite recommendation on the settlement. I made a recommendation on one of the proposals made by Merrill-Stevens, under which they were to take over the materials and keep the South Jacksonville plant, and give certain ships, and I reported against that.

The CHAIRMAN. And it was not done, was it?

Mr. ADAMSON. No, it was not done; the contract was not made on that basis.

The CHAIRMAN. Now, did you have anything to do with the settlement of the Saginaw Shipbuilding claims?

Mr. ADAMSON. I reported on the Saginaw claims, yes.

The CHAIRMAN. Were they settled in the course of procedure which you have outlined as the general policy?

Mr. ADAMSON. They followed the general course. In fact, the Saginaw case was before the claims board on two different occasions. When it first came up we had, instead of the district adjuster, a district and claims contract board, and that district board passed on the Saginaw case and arrived at a settlement, I think, sometime in September of last year, and that settlement was reported to the general claims contract board. The contract was accepted by the contractor, the Saginaw Co., but was not approved by the general claims and contract board, as it was felt that the amortization allowances was somewhat excessive.

The CHAIRMAN. How much was recommended?

Mr. ADAMSON. I can not give you the figures offhand. I would rather talk from the record on that. But in the settlement as made the Saginaw people would have owed us some small sum of money, I think \$30,000, because they would have taken over certain salvage materials.

The CHAIRMAN. The general board did not approve that?

Mr. ADAMSON. The general board did not approve it.

The CHAIRMAN. Then what happened?

Mr. ADAMSON. Then the Saginaw Co. withdrew its claim and hired a firm of public accountants and put in a new claim which was more than \$1,000,000 in excess of the amount they had agreed to

accept, and that claim was audited and we reported upon it, and it went before the claims board.

The CHAIRMAN. What did you report?

Mr. ADAMSON. Well, we recommended—my recommendation was that we should not give an amount greater than the amount which they had agreed to accept, which they had in fact, formally accepted, in September of last year.

The CHAIRMAN. Well, what happened?

Mr. ADAMSON. Well, the claims board then passed upon the matter and made an award.

The CHAIRMAN. How much?

Mr. ADAMSON. I do not recall the exact amount. It was very considerably in excess of the old award which had been accepted by the Saginaw people.

The CHAIRMAN. And not in accordance with your recommendation?

Mr. ADAMSON. No, sir.

The CHAIRMAN. Do you know whether that has been finally settled and paid?

Mr. ADAMSON. I do not believe there has been any final settlement with the Saginaw people. They are still doing some work.

The CHAIRMAN. That is a case where an audit was made of their books by certified public accountants, I assume?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. And they came in with a claim a great deal more than which they were before willing to accept?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. That might have been the result if you had the American Shipbuilding Co.'s books audited, might it not?

Mr. ADAMSON. Yes; but we do not accept the audit statements that are handed in to us, Mr. Chairman.

The CHAIRMAN. You do not accept a certified public accountant's audit?

Mr. ADAMSON. Not on claims.

The CHAIRMAN. Not on claims?

Mr. ADAMSON. They usually involve fictitious elements—that is, they are not necessarily from the books; they are not actual costs, but simply claims that are set up.

The CHAIRMAN. When a certified accountant audits a book, does he not show the amount of money expended and what it is expended for?

Mr. ADAMSON. Yes; but this was not a case of an audit so much as the preparation of a claim.

The CHAIRMAN. Well, you said they had their books audited, I understood.

Mr. ADAMSON. We had audited the claim; the district comptroller on two different occasions had made an audit of the claims. So far as the public accountant's report on and the work performed and money expended is concerned, there could not be so much question about that, but it was in the preparation of the claim that we took issue with them.

The CHAIRMAN. Oh, yes. You do not recall the amount of money finally recommended by the general board?

Mr. ADAMSON. No; it is a matter of record; I could get it for you.

The CHAIRMAN. I wish you would get that also.

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. How about the settlement of the claim for the *Jancke*? Did that pass in the regular routine of the claims board?

Mr. ADAMSON. It passed in what was then the regular routine.

The CHAIRMAN. Is it the routine you have outlined?

Mr. ADAMSON. No, sir; this was in July of last year, before the old cancellation claims board.

The CHAIRMAN. Was that contract settled, do you know?

Mr. ADAMSON. I believe so.

The CHAIRMAN. Did you make a recommendation in that case?

Mr. ADAMSON. Well, I did not make a written recommendation. I made certain oral recommendations before the board. That claim was reported upon by the cancellations section, which was then a sort of a reporting agency for the claims board, and it was discussed for a number of days before the old claims board. I thought that some of the allowances for amortization were somewhat excessive.

The CHAIRMAN. How much did that involve in settlement?

Mr. ADAMSON. In gross figures it involved quite a large sum of money. I do not like to talk figures out of my recollection or mind.

The CHAIRMAN. Well, thousands, or hundreds of thousands, or millions?

Mr. ADAMSON. Oh, yes. In the case of the plant, I think there were about \$600,000 involved there.

The CHAIRMAN. You do not know whether that has been finally settled or not, you say?

Mr. ADAMSON. There has been some final settlement of the claim, but there may be some collateral claims that are still up there.

The CHAIRMAN. How can a claim be settled and still a lot of things pertaining to it remain to be settled?

Mr. ADAMSON. That is usually true of lots of the settlements that are made subject to audit.

The CHAIRMAN. Then there aren't any of them settled, are there?

Mr. ADAMSON. Some of them are finally and definitely settled, but we have got to have a final and complete audit to know just where we stand.

The CHAIRMAN. Who makes these audits?

Mr. ADAMSON. The general comptroller's department makes the audit, but there may be some delay. We may not be through with the figures we use there finally, so we make it subject to audit.

The CHAIRMAN. When did this go on in the *Jancke* yards; when did they build ships?

Mr. ADAMSON. In 1917 and 1918.

The CHAIRMAN. And that is when most of this work was going on?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. You say there may be delayed billings on material?

Mr. ADAMSON. I did not say in this case.

The CHAIRMAN. In some cases?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Since 1918 there have been no bills for material?

Mr. ADAMSON. Oh, yes; they are coming through all the time.

The CHAIRMAN. Coming through now?

Mr. ADAMSON. Yes; there was a large amount of billing for delivered items.

The CHAIRMAN. Billings to whom?

Mr. ADAMSON. To the contractor. There was tremendous confusion all the time, and at times it was not possible to keep track of the stuff from the home office and bill the contractor.

The CHAIRMAN. Why not?

Mr. ADAMSON. First, we would bill it to the warehouse, for instance, and then it would go to the contractor, and then it might be diverted to another contractor who might need the material more. It is hard to keep up with it. The rebilling would have progressed very rapidly in the last year, and I think it is fairly well cleaned up. I have not followed it closely in the last two months.

The CHAIRMAN. You mean to say the Shipping Board would agree to send or furnish material to a shipyard and start the shipment and it might go to a warehouse and from there be started for a certain shipyard, and on the way to that shipyard, at some junction point, or elsewhere, it would be held up, sent to some other shipyard?

Mr. ADAMSON. It might have been actually taken out of the shipyard after its arrival there.

The CHAIRMAN. But it might go to the shipyard and be taken out?

Mr. ADAMSON. You might find, for instance, you had sent certain materials to the Standard Shipbuilding Corporation, and identical material is needed in the Downey yard, and Downey needs it immediately, and the Standard not for two months, so it would be taken to the Downey yard.

The CHAIRMAN. And that happened in 1918?

Mr. ADAMSON. Practically all through 1918.

The CHAIRMAN. And you have just caught up with the material?

Mr. ADAMSON. It was billed all the time, but the final work of the billing has not yet been fully completed.

The CHAIRMAN. When will it be completed, if they keep on at the rate they are going now?

Mr. ADAMSON. I can not tell you, Mr. Walsh. You will have to ask the gentlemen in charge of the accounting for that.

The CHAIRMAN. Have you any original invoices to go by now?

Mr. ADAMSON. Well, we have original invoices; Yes. You see, the material—we might buy material from a certain steel company, and that material would be sent to a certain contractor to be fabricated, made into a part which would go to still another manufacturer who would use that part in the unit which would ultimately go to the shipbuilder.

The CHAIRMAN. Was there any delay in the manufacturers of fabricated concerns getting their material to the shipyard for the work they did?

Mr. ADAMSON. They usually were paid according to contract relations, a percentage when the work was done.

The CHAIRMAN. They were not paid until the bill was presented?

Mr. ADAMSON. They were paid when the stage voucher was presented.

Mr. CHAIRMAN. Was there any delay in that?

Mr. ADAMSON. I do not believe there was.

The CHAIRMAN. So the delay has been in the Shipping Board, or Fleet Corporation accounting division here, not getting these bills out and catching up with the materials that have been sent?

Mr. ADAMSON. Oh, yes. We accept the responsibility for that, and have very good explanations for it.

The CHAIRMAN. What is the explanation of the delay?

Mr. ADAMSON. These things I have tried to show you.

The CHAIRMAN. I thought you meant some other reason.

Mr. ADAMSON. No, sir.

The CHAIRMAN. Have you sufficient force to take care of it?

Mr. ADAMSON. We have not had. I do not know just what the force is now, but I know after we moved from Philadelphia to Washington the force was almost entirely depleted; that is, the men on the rebilling work.

The CHAIRMAN. You say the rebilling work?

Mr. ADAMSON. Yes; the billing to the districts, the districts then billing it to the contractors.

The CHAIRMAN. So the program here is to bill it to the districts and let the districts bill it to the contractor?

Mr. ADAMSON. Yes; because the districts have had the relations with the contractors.

The CHAIRMAN. Mr. Adamson, isn't there any record anywhere to show how much material went into a certain yard?

Mr. ADAMSON. I think so.

The CHAIRMAN. Then what difference does it make, in settling with the contractor whether that material started from the manufacturing plant for Skowhegan and went to Jacksonville, Fla.; if you have the record to show that that material went into the yard at Florida, why can't you settle with that yard?

Mr. ADAMSON. We can. As I endeavored to show, we have not the complete record to show what went in there, and the price charged for it.

The CHAIRMAN. Why haven't you?

Mr. ADAMSON. Because of the difficulty of catching up with this, and the amount of material.

The CHAIRMAN. You had inspectors at every yard?

Mr. ADAMSON. Yes—

The CHAIRMAN (interposing). And they checked up the material that came in there, did they not?

Mr. ADAMSON. I don't know that they did in all cases.

The CHAIRMAN. Then how are you going to show that the material went there if you bill it to them; suppose you bill a lot of material to a contractor, and the contractor says he never got that, how are you going to prove that he did?

Mr. ADAMSON. We usually have documentary proof that material was received in their yards.

The CHAIRMAN. What documentary proof is it?

Mr. ADAMSON. You might have some receipt or railroad acceptance, showing that it was delivered.

The CHAIRMAN. At the yard?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Do the railroads deliver right at the yards?

Mr. ADAMSON. Yes; they had sidings that ran right into the yards.

The CHAIRMAN. In every yard?

Mr. ADAMSON. No.

The CHAIRMAN. Now, take the case where they did not; what I am endeavoring to ascertain, Mr. Adamson, is this: If there was not some system by which the Fleet Corporation knew at all times from men in the yards how much material was coming there, and how

much material was going out, if any, was it not the duty of those inspectors in the yard to keep track of the material?

Mr. ADAMSON. I don't know that the inspectors were on duty in the yards.

The CHAIRMAN. Well, other officials—in a great many yards it was—we have had testimony that it was the duty of the inspectors to check up the material as it came into the gates of that yard; to check it up and see that it compared. Now, do I understand you to say that at different times the delivery of material at the yards made also a difference in the cost of material; that is, material sent this week to a certain yard might be billed at a less price than material sent a month later, because of the advance in cost?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. So that if, in case material was started for Cleveland, Ohio, and diverted and sent to Jacksonville, Fla., it would make a difference in the billing of it to know just when that material was purchased by the board, in order to know how much should be charged against the Jacksonville yard; is that it?

Mr. ADAMSON. Yes, sir. Of course, on the major part of the materials there was a protected price. Take the steel, for instance. We agreed to furnish material at protected prices, but in many cases we were asked to furnish materials not at protected prices, and we had to charge them what we paid for it.

The CHAIRMAN. How about the Morey & Thomas claim; did that go through the regular routine which you have outlined?

Mr. ADAMSON. I believe not.

The CHAIRMAN. Who settled that, if you know.

Mr. ADAMSON. Well, that is not settled, in one sense. We claim that Morey & Thomas owe us about \$310,000.

The CHAIRMAN. How did they come to owe you that; over payments, or overadvances.

Mr. ADAMSON. Overpayments.

The CHAIRMAN. How was the overpayment made?

Mr. ADAMSON. Well, at the time, a sort of settlement was made with Morey & Thomas, I think in July of last year—

The CHAIRMAN (interposing). By whom?

Mr. ADAMSON. I do not know just exactly who made that agreement. We paid them a certain amount of money, and then later on the district comptroller was ordered to make other payments; he was ordered by the chairman of the board of trustees to make other payments, which, altogether, amounted, with the payments made in Philadelphia, to about \$310,000.

The CHAIRMAN. Have you made any recommendation in that case?

Mr. ADAMSON. I recommended that we recover the money, the amount overpaid.

The CHAIRMAN. Have they recovered any portion of it?

Mr. ADAMSON. Not yet.

The CHAIRMAN. The matter is still pending?

Mr. ADAMSON. I believe the legal division is attempting to recover at the present time.

The CHAIRMAN. So, as the matter now stands, while there may be an overpayment, there may be a recovery.

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. And as the case now stands it can not be said that the Government has lost anything?

Mr. ADAMSON. No, sir; it can not be said that we have lost anything.

The CHAIRMAN. Did the Mobile shipbuilding claims go through the regular procedure?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Has final agreement for settlement been made in that case?

Mr. ADAMSON. No, sir.

The CHAIRMAN. Have you made any recommendations in that case?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. The recommendation is pending?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. That recommendation may be followed, for all you know?

Mr. ADAMSON. It may be.

The CHAIRMAN. Now, have you come across claims in which payments have been made for prospective profits on contracts for ships which were later canceled?

Mr. ADAMSON. I can not recall any such settlements. The policy of the board is not to allow anything for anticipated profits, but only to allow a profit on the work actually done up to the time of cancellation, that is, profit for work done, not profit anticipated or prospective.

The CHAIRMAN. So that no profits, so far as you know, have ever been allowed upon ships where construction work upon the ships has never been begun?

Mr. ADAMSON. A profit has been allowed where the actual construction work had not been begun, but the profit was made upon expenditures or work other than erection. For instance, the assembly of materials in a yard—the purchase and assembly of materials.

The CHAIRMAN. Have they been allowed a profit on that?

Mr. ADAMSON. They have been allowed a handling charge. And then the fabrication.

The CHAIRMAN. They have been allowed a profit on that?

Mr. ADAMSON. They have been allowed a profit on the fabrication.

The CHAIRMAN. Did they do the fabrication?

Mr. ADAMSON. Yes; wherever it was done by the shipbuilder.

The CHAIRMAN. Is the same profit allowed there as where the fabricated material actually went into the construction of ships; is the same basis of profit permitted; where the ship was canceled, and no construction work actually begun, would they be allowed the same profit on that material if it actually went into the ship?

Mr. ADAMSON. That is what the board tries to do, but, of course, they can not always determine just what the profit would be on those materials if it had gone into the completed ship, so they try to limit the profit to the maximum of 10 per cent.

The CHAIRMAN. The settlement with the Duthie Co., did that go through the regular procedure before your board which you have outlined here?

Mr. ADAMSON. The Duthie Co. has had one so-called settlement, or contract, which was made in April, of 1919. That contract related only to the requisition ships. The Duthie Co. had contracts for ships

on which it has made claims, but the contracts have not yet been settled.

The CHAIRMAN. Did any of the claims of the Duthie Co. come before you and the board in the regular procedure which you have outlined here?

Mr. ADAMSON. Certain claims on the contract ships came before me and the board in the last month.

The CHAIRMAN. They have not been settled?

Mr. ADAMSON. They have not been settled, because I recommended no action be taken on them.

The CHAIRMAN. They are still pending?

Mr. ADAMSON. We are trying to ascertain the value of the plant material, and have appraisement made.

The CHAIRMAN. Who constitutes the claims board now?

Mr. ADAMSON. Mr. Talbert, chairman; Mr. Skinner, Mr. Wright, and Mr. Tirrell, and on matters affecting wage increases, Mr. Delancy.

The CHAIRMAN. Is there a separate board known as the construction claims board, and another board known as the cancellations claims board?

Mr. ADAMSON. No, sir.

The CHAIRMAN. They are all in one board now?

Mr. ADAMSON. The construction claims board now is the only board which passes on the claims growing out of cancellation or construction work.

The CHAIRMAN. That is the only board?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. How long has this board been in existence; a single board, I mean; how long has it been functioning?

Mr. ADAMSON. I can not recall the exact date when it was changed from the general claims and contracts board, but it has been organized nearly as it is to-day since last February.

The CHAIRMAN. Did you have anything to do with the settlement of requisitioned ships?

Mr. ADAMSON. No, Mr. Chairman, at the present time—you mean just compensation on requisitioned ships?

The CHAIRMAN. Yes.

Mr. ADAMSON. The settlement or just compensation—the only compensation on account of ships requisitioned on the ways have already been passed upon by the board which was in existence a few months ago, but whose functions are now merged with the construction claims board. There were claims amounting to about \$53,000,000 on which awards were made, I should say, to \$13,000,000. Those awards have not been accepted, and there is nothing being done with the claims as they stand now. They are not being pushed, apparently, and while I believe, so far as they are before anybody at all, they are before the construction claims board, there is no action on them. We take the position that the awards have been made.

The CHAIRMAN. Now, in the case of claims which come before you and the claims board, and transmitted to the trustees of the Shipping Board and are later settled on a basis other than that which you or the board recommend, the claims board, or the amount is recommended for payment other than you suggest or recommend—either you or the claims board—do you later ascertain, or are you advised as to what this additional amount is intended to cover; what is involved in the settlement?

Mr. ADAMSON. Well, I am not advised, except as I can glean from the resolutions of the board.

The CHAIRMAN. Well, do the resolutions of the board specify various elements?

Mr. ADAMSON. No.

The CHAIRMAN. They do not specify the various elements entering into the settlement?

Mr. ADAMSON. No?

The CHAIRMAN. Are you present, or any representative of your department present—

Mr. ADAMSON (interposing). I am not present; no, sir.

The CHAIRMAN (continuing). When the resolution is passed?

Mr. ADAMSON. No, sir.

The CHAIRMAN. Is anybody from your board, from the claims board?

Mr. ADAMSON. I believe the chairman of the claims board and other members of the board appear before the Shipping Board and explain cases; explain their recommendations.

The CHAIRMAN. And the representatives of the contractors appear sometimes, too?

Mr. ADAMSON. I do not believe that the representative of the contractor is ever present when they are actually taking action on a case; he may appear and make an argument in favor of his claim.

The CHAIRMAN. But the action upon the claim by the Shipping Board, or the board, is usually in executive session?

Mr. ADAMSON. I believe so.

The CHAIRMAN. But the result is the passage of a resolution which is spread on the record?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. You stated that a number of claims are settled and payments are made subject to subsequent audit?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Is it the policy of the board, or the corporation, to have audits made in all cases where settlements have been effected?

Mr. ADAMSON. In all cases where it is necessary.

The CHAIRMAN. How do you determine whether it is necessary?

Mr. ADAMSON. If we have not had a complete audit covering any feature of the settlement, it is necessary to have an audit.

The CHAIRMAN. Well, that is where every cent has not been paid, is it not?

Mr. ADAMSON. There might be an allowance made for wages; that would be subject to audit. The audit would be to determine the exact amount of wages paid, supported by the time cards, and other data; pay rolls and other data. We might not have, in making the settlement, an absolute reliable figure.

The CHAIRMAN. When these agreements of settlement are allowed, how long a time is permitted for audit by the board before the thing is finally closed up?

Mr. ADAMSON. There is no time specified.

The CHAIRMAN. Have there been cases where you have made an audit?

Mr. ADAMSON. Oh, yes.

The CHAIRMAN. Have there been cases where you have found that money is due?

Mr. ADAMSON. That is, that we owe the contractor money?

The CHAIRMAN. Yes.

Mr. ADAMSON. Oh, yes.

The CHAIRMAN. That you paid them the money that was found due, in addition to what was agreed upon?

Mr. ADAMSON. Oh, you mean more money was due than was allowed?

The CHAIRMAN. Yes.

Mr. ADAMSON. Well, I did not quite understand the question, Mr. Chairman: We could not find that more money is due than has been awarded. But at the time of the award, let us assume that the award was \$30,000 in excess of the amount already paid. We might go in and find that while the total award would not be increased, the amount of the payment with which we had credited ourselves would be reduced somewhat. We might have charged the contractor with certain materials which we had taken back, and we might find on final settlement that he would get more money than we had expected to pay him in the net, but the award, of course, would remain the same.

The CHAIRMAN. That would not involve, as I understand, the actual payment to the contractor of any more money than he really received?

Mr. ADAMSON. It would not involve payments of any more money than the amount actually awarded, but it would involve, maybe, the payment of more money than we had expected would have to be paid.

The CHAIRMAN. What is done in a case like that; anything?

Mr. ADAMSON. We make the audit and determine just exactly what we have already paid him, and pay him the difference, if any.

The CHAIRMAN. Have there been cases like that?

Mr. ADAMSON. Oh, yes.

The CHAIRMAN. Now, what do you do when you find on an audit that you have paid him too much?

Mr. ADAMSON. We try to recover.

The CHAIRMAN. Have there been cases where you have recovered?

Mr. ADAMSON. Well, I guess we have had a great many cases. I can not, of course, recall that upon calling to the attention of the contractor that we had overpaid, he would reimburse us; there are cases, such as the Morey & Thomas, that we have discussed, where we have not recovered yet.

The CHAIRMAN. Is that a going concern yet?

Mr. ADAMSON. I do not know whether the company is still going.

Mr. CONNALLY. Where is this Morey & Thomas located?

Mr. ADAMSON. I do not know the exact location. In the South. I have forgotten the exact location.

The CHAIRMAN. Is that the Pensacola firm, in Florida?

Mr. ADAMSON. They are down there somewhere, Mr. Chairman.

The CHAIRMAN. Have you got anything to do with the wooden ships contracts?

Mr. ADAMSON. Occasionally we have claims on wood-ship contracts.

The CHAIRMAN. Occasionally?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Is there a separate board for that?

Mr. ADAMSON. No; they are all handled by the one board.

The CHAIRMAN. There are a lot of contracts for those to settle?

Mr. ADAMSON. Quite a number.

The CHAIRMAN. Why have they not been settled?

Mr. ADAMSON. In some cases the contractors have not pressed their claims and in other cases they have not been willing to accept the awards that the board have made. Of course, you know that the wooden shipbuilders have felt that we were not granting sufficient amortization for their plants, and the policy of the board of trustees has been not to assume that it has the right to go ahead and give all this amortization, but to have Congress grant relief legislation of some kind.

The CHAIRMAN. To permit the contracts to be settled upon an equitable basis, so called?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. It is your understanding that the Shipping Board, or the board of trustees, have settled no shipbuilding contracts upon an equitable basis?

Mr. ADAMSON. Well, they have settled certain contracts on what was called or believed to be an equitable basis.

The CHAIRMAN. And they have settled some wooden-ship contracts on the same basis?

Mr. ADAMSON. I believe so.

The CHAIRMAN. Then, why did they not go ahead and clean up the rest of them in the same way?

Mr. ADAMSON. Because of the policy laid down by Judge Payne, and which has been adhered since he laid it down.

The CHAIRMAN. Which policy is that?

Mr. ADAMSON. That we not assume the right to go ahead and grant full relief and bring those shipbuilders out whole, as you say.

The CHAIRMAN. Bring them out whole?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. I am asking about the settlement of those contracts upon the so-called equitable basis; is that what you understand it means, to bring them out whole?

Mr. ADAMSON. From the contractors' point of view, there could not be any equity in it, unless he was brought out whole, or harmless.

The CHAIRMAN. You are taking the contractors' view of it; I am asking from the point of view of the Shipping Board.

Mr. ADAMSON. Of course, we consider all claims that we settle are settled equitably, so far as we can indulge in equities, but I believe it has been recognized that in some of these wood-ship cases the contractors had a good reason to expect several turns of the ways, and thereby to amortize the cost of their plants. Now, it is not in my view of equity to amortize a shipyard on one turn of the ways; that is, on a single contract which they had. Of course, I had nothing to do with that. That is a matter of policy. It is something I have had nothing to do with at all.

The CHAIRMAN. Have there been any cases in which a claim has been presented, followed the usual procedure which you outlined, the district adjuster, you, or the construction claims board, or the claims board, which takes in construction and cancellation now, go to the Shipping Board, and agreement for settlement entered into and the money has been paid and under the terms of the agreement and audit has been had more money has been found due the contractor, and that additional money has been paid, and the claim and transaction with that particular contractor has been finally and definitely concluded, so that there is nothing further to do with it—have there been any such cases as that?

Mr. ADAMSON. Why, I do not know of any case that would fit that exactly.

The CHAIRMAN. How long, in your judgment, as one of the officials in the comptroller's department, is it going to take to wind up the business of the Fleet Corporation as a result of its construction program under the war emergency?

Mr. ADAMSON. I should say it would take at least a year. Of course, not with all the force we have now.

The CHAIRMAN. At least a year?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. How much farther along towards winding this business up will you be in January, 1922, than you are to-day?

Mr. ADAMSON. Well, I think in January, 1922, that all of the claims will have been settled, except those which have been forced into the Court of Claims. We will have all of that out of the way. We will have the constructoin out of the way.

The CHAIRMAN. Well, there are a lot of claims that have not come in at all yet.

Mr. ADAMSON. That is true.

The CHAIRMAN. How are you going to compel them to come in?

Mr. ADAMSON. If the contractors refuse to put in claims we can simply notify them that there will be no consideration of claims. Of course I think that it will not be long before we will have in all the claims. One of the big claims delayed is the Skinner & Eddy claim. That is on the way now from the West.

The CHAIRMAN. What was the delay there?

Mr. ADAMSON. The contractor did not care to put in his claim.

The CHAIRMAN. Why not?

Mr. ADAMSON. I can not tell you, Mr. Chairman.

The CHAIRMAN. Is the building program completed?

Mr. ADAMSON. It is not entirely completed.

The CHAIRMAN. They built more ships than any other concern out there, did they?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. And you say you have received no communication from them, no indication of what the claim is?

Mr. ADAMSON. Their claim has been filed and is in mails now. I understood it had been filed, and I wired out the other day and found it was in the mail. The amount of the claim was \$24,247,000.

The CHAIRMAN. Was not the claim of the Skinner & Eddy Co. filed with some official of the Fleet Corporation in April or May of last year?

Mr. ADAMSON. I think they have submitted in some informal manner partial claims in order to get advancements of money.

The CHAIRMAN. Do you know how much they were—those claims submitted?

Mr. ADAMSON. No, sir; they have come before me on only a few occasions. The last time was a claim for advancement for, I think, \$500,000.

The CHAIRMAN. Can you tell how much has been paid the Skinner & Eddy Corporation for the delivery of ships ahead of contract time—bonuses for early delivery?

Mr. ADAMSON. I would have to look to the records for that.

The CHAIRMAN. You can ascertain that without very much trouble?

Mr. ADAMSON. Yes, sir. You mean, the bonus for early delivery?

The CHAIRMAN. Or any other bonus permitted under the contract.

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Have their books been audited?

Mr. ADAMSON. No, sir.

The CHAIRMAN. Have you settled with the Union Iron Works?

Mr. ADAMSON. Not finally.

The CHAIRMAN. Have they submitted their claim?

Mr. ADAMSON. I think so.

The CHAIRMAN. Do you know how much that involves?

Mr. ADAMSON. No, sir.

The CHAIRMAN. Have you settled with the Moore Bros.?

Mr. ADAMSON. Not finally. I believe there are some claims still pending.

The CHAIRMAN. Have you settled with the Western Pipe & Steel?

Mr. ADAMSON. No, sir; not finally.

The CHAIRMAN. Has the claim been submitted?

Mr. ADAMSON. I do not believe that the final claim has been submitted. I am not sure of that.

The CHAIRMAN. Have you settled with the Pacific Northwest Co.?

Mr. ADAMSON. I do not recall.

The CHAIRMAN. Have you settled with the Pacific Coast Shipbuilding Co.?

Mr. ADAMSON. Their claim, as I understand it, has not been submitted formally. I believe that some representatives of the Pacific Coast concern was in the claims board office the other day and discussed the matter with the secretary of the board, Mr. Snowden. I asked Mr. Snowden afterwards whether the claim had been formally filed and he said no.

The CHAIRMAN. Well, you have not settled with them?

Mr. ADAMSON. No; we have not received it.

The CHAIRMAN. Have you settled with Nilson & Kelez?

Mr. ADAMSON. No, sir.

The CHAIRMAN. Have you settled with the Los Angeles plant down there?

Mr. ADAMSON. The Los Angeles Shipbuilding & Dry Dock Co.?

The CHAIRMAN. Yes.

Mr. ADAMSON. There has not been a final settlement on that, Mr. Chairman. It is now before the general counsel in connection with the interpretation of a certain phase of the contract, which was made last year—made in 1919, laying down a basis, or laying down the basis for a settlement. You see, we had a contract which laid down the basis for a settlement, and under that contract the Los Angeles company presented claims. They have gone through the regular procedure, and the award has been recommended by the claims board.

The CHAIRMAN. Have you settled with the Meacham & Babcock?

Mr. ADAMSON. No, sir.

The CHAIRMAN. Have you settled with the Sloan Shipyard?

Mr. ADAMSON. The Sloan Shipyard case is in the courts.

The CHAIRMAN. What court?

Mr. ADAMSON. I believe it is in the District Court.

The CHAIRMAN. Out there?

Mr. ADAMSON. Out there.

The CHAIRMAN. Have you settled with the Seattle North Pacific?

Mr. ADAMSON. I do not believe we ever did.

The CHAIRMAN. How is that?

Mr. ADAMSON. I do not recall any final settlement with the Seattle North Pacific.

The CHAIRMAN. Have you settled with the Bethlehem Shipbuilding Co.?

Mr. ADAMSON. There has been no final settlement. I believe the claims board has practically made its awards of settlement of various claims to the Bethlehem Co. at several yards.

The CHAIRMAN. Have you settled with the Hog Island contractor?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. That has been settled?

Mr. ADAMSON. Yes, sir.

Mr. STEELE. That is the New York Shipbuilding Co.?

Mr. ADAMSON. No; the American International.

The CHAIRMAN. Have you settled with the New York Shipbuilding Co.?

Mr. ADAMSON. No final settlement.

The CHAIRMAN. Or the Sun Shipbuilding Co.?

Mr. ADAMSON. No; there are still some claims to come up there.

The CHAIRMAN. Or the submarine boat?

Mr. ADAMSON. I guess you might say we have settled with the submarine boat.

The CHAIRMAN. With the Morse-Croton Iron Works?

Mr. ADAMSON. So far as the claims board is concerned we have settled. The claims board has made an award.

The CHAIRMAN. Well, has the Shipping Board settled with them?

Mr. ADAMSON. I can not tell you whether the Shipping Board has approved the award. I believe it was approved.

The CHAIRMAN. How much did you award them on the claims board?

Mr. ADAMSON. They claimed some \$109,000 due on the contract, and as I recall, the award of the claims board was to the effect that the Groton owed us \$285,000.

The CHAIRMAN. How about the Virginia Shipbuilding?

Mr. ADAMSON. I do not know just what our situation is with the Virginia Ship.

The CHAIRMAN. That is no nearer to a settlement than when you testified before the committee some months ago?

Mr. ADAMSON. I do not believe it is.

The CHAIRMAN. There is a shipyard in New Hampshire; what is the name of that; have you settled with that yard; The Atlantic Corporation?

Mr. ADAMSON. We had a contract which was generally regarded as a contract settlement, made in November, 1919. The Atlantic Corporation, through one of its representatives, has indicated that they have certain claims to present, and it endeavored to have those claims considered by the board of trustees, and Admiral Benson, I believe, informed them that they would have to present their claim in the regular manner and have it go through the claims board. We have never seen it yet.

The CHAIRMAN. Then it is your judgment, Mr. Adamson, that you will be able to catch up with the rebilling, with what auditing is

required, so that in January, 1922, there will be no further claims outstanding against the Fleet Corporation and the Shipping Board, and that all the money due to contractors will have been agreed upon, and paid or agreed to be accepted by the contractors?

Mr. ADAMSON. Well, I can not make any promises about the rebilling, of course. I have not charge of that. I do not know the exact status at this time.

The CHAIRMAN. How are you going to wind it up until you get that fixed?

Mr. ADAMSON. I would say that by January, 1922, the rebilling should have been completed, and that by January, 1922, the claims should have been acted upon, and while I do not think that they will all be acceptable to the contractor, I think they will all be accepted or thrown into the Court of Claims.

The CHAIRMAN. Now, did I understand you that you are also taking into consideration this audit that the Shipping Board insists upon in all these settlements?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. That they will have to audit the books?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. You think, if you do not agree with the Skinner & Eddy Corporation, do you think you can audit their books between now and the 1st of January, 1922?

Mr. ADAMSON. Oh, I think the books could be easily audited in that time.

The CHAIRMAN. You have never seen their books, have you?

Mr. ADAMSON. No, sir.

The CHAIRMAN. You do not know what system they have?

Mr. ADAMSON. No, sir.

The CHAIRMAN. They had a clause in the contract which did not permit the corporation to audit, except on permission from the home office?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. And that permission was not granted?

Mr. ADAMSON. It was granted.

The CHAIRMAN. And revoked a day or two later?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Do you know who revoked it?

Mr. ADAMSON. Mr. Bender. Mr. Strong actually signed the telegram, but it was at the direction of Mr. Bender, who was then controller.

The CHAIRMAN. Do you know how many ships they constructed?

Mr. ADAMSON. Skinner & Eddy?

The CHAIRMAN. Yes.

Mr. ADAMSON. I have vaguely in mind 112; that may be wrong.

The CHAIRMAN. It was over 100?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Do you know whether or not the settlement with them involves the appraisal and inventory on a lot of material in their territory?

Mr. ADAMSON. The settlement with Skinner & Eddy involves certain material which we took over from the Seattle Dry Dock & Construction Co., but that has a certain and definite valuation placed on it, \$623,000. But in addition to that, it will involve the value of

certain equipment and machinery taken from the yards, from the old Seattle yard, and sold by Skinner & Eddy. The exact details concerning that equipment and machinery I have not yet obtained. I understand they have removed about a half million dollars worth of the property and sold it.

The CHAIRMAN. A half million?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. What do you base that estimate on?

Mr. ADAMSON. That is on the statement from Mr. Taylor, of the general comptroller's office, who has to do with the supply and sales work.

The CHAIRMAN. That is not the result of any inventory he has made of the profit?

Mr. ADAMSON. Oh, no; it is in connection with the preliminary procedure to make a recovery; he came to me about the matter.

The CHAIRMAN. How are the R. T. Green Co., Chelsea, Mass.; have you settled with them?

Mr. ADAMSON. I don't know.

The CHAIRMAN. And the Crowninshield, South Somerset, Mass.?

Mr. ADAMSON. There was a settlement.

The CHAIRMAN. Clear and free?

Mr. ADAMSON. I hope so.

The CHAIRMAN. How many ships did that concern build?

Mr. ADAMSON. I can not recall.

The CHAIRMAN. Did they furnish a completed ship?

Mr. ADAMSON. I am not certain on that point. I never had anything to do with the Crowninshield settlement or with the contract.

The CHAIRMAN. Do you know how many of the R. T. Green—

Mr. ADAMSON (interposing). No, sir.

The CHAIRMAN. The Bethlehem Corporation, which has yards at various points, you say no settlement has been made?

Mr. ADAMSON. The settlements have not been completed.

The CHAIRMAN. How about the yards at Quincy, Mass.

Mr. STEELE. Fore River.

The CHAIRMAN. It is known as the Fore River Yard.

Mr. ADAMSON. I do not know of anything except wage adjustments.

The CHAIRMAN. Mr. Adamson, will not the settlement with Skinner & Eddy involve the question of wage payments in excess of the Macey award?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Were there many yards which paid in excess of the Macey award?

Mr. ADAMSON. I understand that on the Pacific coast there were quite a few that paid in excess of the Macey award.

The CHAIRMAN. Was that permitted under the contract?

Mr. ADAMSON. It was permitted at the cost of the contractor.

The CHAIRMAN. At the cost of the contractor?

Mr. ADAMSON. Yes. The question arose very definitely early in 1920, as I recall it, in connection with certain increases made by Skinner & Eddy. At the time the G. M. Standifer Construction Corporation tried to get authorization to pay this increased rate. Mr. Ackerson then ruled that we were not responsible for any fixed in excess of the rate to a governmental agency. Of course, the contractors had perfect liberty to pay as much money as they pleased out of their own pockets.

The CHAIRMAN. Now, there are a number of settlements pending with engine concerns, are there not?

Mr. ADAMSON. Yes; there are a number of settlements pending with vendors of small supplies and materials.

The CHAIRMAN. Well, for engines?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. And pumps and boilers?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. They have not been settled?

Mr. ADAMSON. Most of them have.

The CHAIRMAN. Have they?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. How about the steel market; fabricated material; slate steel?

Mr. ADAMSON. That was usually paid for currently.

The CHAIRMAN. There are no claims outstanding for that?

Mr. ADAMSON. I don't know of any.

The CHAIRMAN. Have you a system of bookkeeping down there so that you can go to a certain book and tell from that book how much the liability was at the date of awarding the contracts against the Shipping Board in any particular case; how much has been paid, and whether the account is closed?

Mr. ADAMSON. Yes; we have all payments charged to the contractor.

The CHAIRMAN. Well, have you got a book down there so you can see the Bethlehem Shipbuilding Corporation contract number so and so, liabilities so much, payments so much, and balance so much; have you got any such system as that, or do you have to refer to records from the district?

Mr. ADAMSON. Well, the detailed records are kept in the district: the district comptrollers keep the accounts with all contractors. Those accounts are kept under the contract number, and there are subaccounts, where we actually make those hulls; hull construction.

The CHAIRMAN. Now, have you made any criticisms of settlements which have been made contrary to the recommendation of your department, or the board, to any officers of the Shipping Board?

Mr. ADAMSON. Well, I should like to say I have made criticism. I have raised certain questions. Of course, I do not feel that it would be proper for me to criticise the board of trustees, and I can not expect the board of trustees to accept my recommendations always. I pass on these claims matters on the records and accounting point of view. I want to be fair to the contractor, but I do not enter into the field of discretion. The claims board can go further than we are entitled to go.

The CHAIRMAN. Your recommendations are made upon the documentary evidence?

Mr. ADAMSON. Yes; and I do not report always with the point of view of having my recommendations acceptable to the contractor. Of course, we can not have any settlement unless the settlements are acceptable to the contractor, and I do not feel that I can, or should, criticise where the claims board does not follow my recommendations. I should like to say here, though, that the claims board strives very earnestly at all times to see that it gives full consideration to every criticism or comment made by the general comptroller's depart-

ment. We have had the fullest consideration by the present claims board and have worked most harmoniously with them.

The CHAIRMAN: Then, if I understand you, Mr. Adamson, your consideration of these claims is based upon the claims submitted in writing, and documentary evidence which is submitted in support of it, and the records of the Shipping Board, and you view it irrespective of what the policy of the board may be in permitting other allowances or requiring other deductions from the amount involved?

Mr. ADAMSON. That is a correct statement. My recommendations are always based on the merits of the thing under consideration, without going into any kindred subjects. For instance, my recommendations might be regarded by the claims board as being entirely proper, standing alone, but when it comes to the claims board there may enter some other consideration, such as keeping an American shipyard in operation, for the desirability of disposing of certain ships. We will take the Terry case as an example. There were two considerations which ordinarily do not appear in my reports. There was a desire to keep an American shipyard going, and also a desire to dispose of certain ships by sale.

The CHAIRMAN. That was taken into consideration by the board?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. The claims board, and presumably by the Shipping Board, or trustees?

Mr. ADAMSON. That settlement was made by Judge Payne; that was not negotiated by the claims board.

(And thereupon, at 1:25 o'clock, the committee took a recess until 2:15 o'clock, p. m.)

AFTER RECESS.

The committee reconvened at 2.15 o'clock p. m., pursuant to recess.

The CHAIRMAN. Mr. Steele, I believe you have some questions to ask.

TESTIMONY OF MR. TILDEN ADAMSON—Resumed.

Mr. STEELE. Mr. Adamson, I understood you to say this morning you had considerable experience as an accountant and auditor previously in your connection with the Shipping Board?

Mr. ADAMSON. Yes, sir.

Mr. STEELE. Was that in connection with the city of New York government?

Mr. ADAMSON. Yes, sir; for about eight or nine years.

Mr. STEELE. And you went with the Shipping Board in April, 1919?

Mr. ADAMSON. Yes, sir.

Mr. STEELE. In what capacity at that time?

Mr. ADAMSON. Deputy comptroller.

Mr. STEELE. What was your special line of work as deputy comptroller.

Mr. ADAMSON. It was not laid down definitely at that time, because my position as deputy comptroller was regarded as simply temporary, and I was told to devote myself to the organization end of the comptroller's office in the finance division. It was then

expected that there would be a change, and that I would be made comptroller in a very short time, and I was made comptroller shortly after I went there.

Mr. STEELE. In April, 1919, did you have anything to do with the adjustment of claims?

Mr. ADAMSON. Not in April—I do not believe I had any work on any claims up to that time, because I was not only busy on the organization work, but on setting up a budget of our requirements to present to Congress.

Mr. STEELE. What was your system at that time of adjustment of claims?

Mr. ADAMSON. Up to that time we had a cancellation section under the direction of the vice president. This cancellation section made investigations and had inventories taken and made recommendations to the vice president in charge of construction, who was empowered to make claims settlements. It became apparent that Mr. Ackerson, as vice president in charge of construction, could not at the same time act as a claims agency, so he created what was known as the cancellation claims and contracts board, made up originally of heads of divisions in the Fleet Corporation organization, and headed by one of the special assistants to the vice president.

Mr. STEELE. Has that system remained in existence up until this time?

Mr. ADAMSON. No, sir; the board as constituted then was in existence about 2½ or 3 months, when a new cancellations claims and contract board was formed, made up of men who did not have the responsibilities for the work in various divisions; that is, men from the outside, you might say.

Mr. STEELE. Have any changes since been made in that system?

Mr. ADAMSON. The board has been reconstituted since that time.

Mr. STEELE. That related only to the personnel of the board, however?

Mr. ADAMSON. Yes, sir.

Mr. STEELE. And not to the system?

Mr. ADAMSON. There have been changes made in the district organization of the board. We have no longer the district boards, but have district adjusters to take the place of the district board.

Mr. STEELE. In the work of this board, are all claims presented to it?

Mr. ADAMSON. The present claims board?

Mr. STEELE. Yes.

Mr. ADAMSON. All demands for cash or other considerations upon which the contractor and the district officials can not agree become what we know as claims to be presented to the claims board. Now, there may be a claim, for instance, for changes and extras which the contractor would present to the district officials, who after investigation will pass upon the claim in a manner which may be acceptable to the contractor. If not, then it becomes a claim in the claims board sense, and comes to the claims board for settlement.

Mr. STEELE. All claims presented to the board are filed and listed, or do you keep a docket of them?

Mr. ADAMSON. There is a register of claims kept by the claims board.

Mr. STEELE. What is the total number of claims that you have d, so far, to pass upon?

Mr. ADAMSON. I can not tell you, Mr. Steele.

Mr. STEELE. Can you give it approximately?

Mr. ADAMSON. With the small commitment claims, I would say that it would go up into the thousands.

Mr. STEELE. Do you mean by that 1,000 or 3,000?

Mr. ADAMSON. I should say it might be 3,000 or 4,000 claims. Mr. Talbot of the claims board can tell you more accurately about the number of claims that they have passed upon.

Mr. STEELE. Those claims have been passed upon and adjusted, the greater number of them. Do you know how many you have unadjusted at this time?

Mr. ADAMSON. I do not know the number. The amount is approximately about \$95,000,000.

Mr. STEELE. But can you give us any approximate idea as to the number of these 2,000 that remain unadjusted?

Mr. ADAMSON. There would not be 2,000—there might be, I should say, 350 to 500 claims there now; may be more than that.

Mr. STEELE. That are unsettled?

Mr. ADAMSON. That is, unsettled.

Mr. STEELE. Have you been on this board from the time that it was organized, from immediately after you went with the board in April, 1919, down to the present time?

Mr. ADAMSON. My connection with the board terminated, I think, in August, 1919, when they constituted a board made up of new men from the outside. Since then, I have had no connection with the board as a board, but have simply reported to it on behalf of the general comptroller's department.

Mr. STEELE. Are you acquainted with this work and the character of work it does?

Mr. ADAMSON. Yes, sir.

Mr. STEELE. Do you regard its work as efficient?

Mr. ADAMSON. Mr. Steele, I do not like to characterize the work of any board or any organization above me, and your question embarrasses me a little bit. But I would like to depart from what, I think, ought to be the standard and say that the work of the board is highly efficient, and that the board is made up of men who are well qualified and who are striving very earnestly to do the right thing. They are able men, and they are giving a great deal of time and attention to this work. I think that they are doing the work mighty well.

Mr. STEELE. These specific cases that you were asked about this morning, are those the exceptional cases, or are they the general run of cases?

Mr. ADAMSON. I was asked about so many cases this morning, Mr. Steele—

Mr. STEELE (interposing). I am taking the general run of them. You were asked about several specifications this morning, I just wanted to know whether they represented the general run of specifications that came before your board or remained unsettled at this time, or whether they were exceptional cases and cases that were unsettled.

Mr. ADAMSON. No; I think you might say they represent the general run.

Mr. STEELE. Take, for instance, Mr. Adamson, the case of the Merrill-Stevens Co. I understood you to say that that case had been settled.

Mr. ADAMSON. Yes, sir.

Mr. STEELE. Has it been completely settled with the money paid, and absolutely concluded?

Mr. ADAMSON. No; it has not been absolutely concluded; all the details of settlement have not been finished. We have not, for instance, received the \$300,000 which we ought to receive. We have the mortgages on the north side plant. We have not paid all the commitments which remain to be paid. There may be a dozen small commitments yet to be paid on that.

Mr. STEELE. It was testified previously in this investigation, as I recollect it, that a very large amount of money had been overpaid to the Merrill-Stevens Co. Has that all been adjusted in this settlement?

Mr. ADAMSON. Yes, sir.

Mr. STEELE. It has all been adjusted?

Mr. ADAMSON. Yes, sir.

Mr. STEELE. So that it came down in the final analysis in the adjustment that there was \$300,000 due the Government?

Mr. ADAMSON. \$300,000, plus the value of the plant and the materials in the plant.

Mr. STEELE. As to that remainder due the Government by that company, is it secured in any way?

Mr. ADAMSON. \$300,000 is secured by mortgage on the north side of the plant, which is a very valuable, active plant.

Mr. STEELE. Is it considered an adequate security?

Mr. ADAMSON. Oh, yes, sir; I should say that that is more than adequate.

Mr. STEELE. Then, so far as any overpayments that were made to the Merrill-Stevens Co., there will be no loss to the Government?

Mr. ADAMSON. Oh, there will be a loss, of course; there has been a loss. The Merrill-Stevens settlement, Mr. Steele, was a settlement which you might describe as being the best possible salvage from a very serious wreckage. We had a wreck there; we wanted to go in and get what we could out of it.

Mr. STEELE. Perhaps I did not make my question clear to you, Mr. Adamson: I mean, any losses to the Government by reason of any overpayment to them during the pendency of their contract?

Mr. ADAMSON. We had overpaid them considerably—many millions of dollars; that is, we had paid them more than the contract prices. They had made contracts at prices which were possibly—well, there is no doubt about it; they were entirely too low, and they could not build the ships for those prices. These were lump-sum contracts, and while they were not settled on what is commonly known as cost-plus basis, that was, as I understand it, the general principle followed, that the Merrill-Stevens would receive credit practically for the cost of the work. The overpayments were payments in excess of the amounts earned under the lump-sum contracts, and were not payments in excess of amounts paid out on account of the work.

Mr. STEELE. I understand that. The adjustment was made, you say, on the basis of \$300,000, and that is secured by a mortgage on the outside plant, which is good for the amount of the mortgage?

Mr. ADAMSON. Yes, sir; that is what they got back, in addition to the value of the plant and materials.

Mr. STEELE. So that that claim is absolutely adjusted, then?

Mr. ADAMSON. Except for the adjustment of small commitments.

Mr. STEELE. You stated this morning that the American Shipbuilding Co. contract had been adjusted?

Mr. ADAMSON. There has been this reconversion of contract.

Mr. STEELE. Did you make that adjustment?

Mr. ADAMSON. No, sir.

Mr. STEELE. Who did make it?

Mr. ADAMSON. That was handled by Mr. Martin Gillen.

Mr. STEELE. Have you any personal knowledge of how that came about?

Mr. ADAMSON. On September 19, 1919, Mr. Chester W. Cuthell, I believe, as counsel of the American Shipbuilding Co., sent a proposal to the Fleet Corporation.

Mr. STEELE. When was that?

Mr. ADAMSON. September 19, 1919, sent a proposal to the Fleet Corporation that we reconvert to a lump-sum basis; and this proposal estimated that the cost under the then cost-plus contract, and all the cost-plus profit and everything else would be \$132,515,800, as I recall it, and they proposed to settle on that basis—that is, to make that estimate the figure for the lump-sum contract to be made, settling all claims on account of these 176 ships.

Mr. STEELE. The American Shipbuilding Co. is located where?

Mr. ADAMSON. They have six different plants. One is at Cleveland—I have forgotten where the most of their plants are located. They are all around the Great Lakes—six different plants.

Mr. STEELE. Is this company largely controlled by the Rockefeller interests?

Mr. ADAMSON. I do not know who controls it, Mr. Steele.

Mr. STEELE. Did this proposal first come from the American Shipbuilding Co., or was it suggested to them by the Shipping Board? How did it come to you that the suggestion came to the Shipping Board as to a change of contract?

Mr. ADAMSON. One of the reasons stated was related to this question of taxation on amortization. I do not know who first suggested any reconversion, but the first proposition that I ever saw was in September 19, 1919, and among the advantages held out to the Fleet Corporation was that we would have a definite, final figure of costs rather than a so-called uncertain figure under a cost-plus contract, and among the advantages held out for the contractor was that he would be free to deal with his labor conditions out there, and he would probably conduct the work with greater economy.

Mr. STEELE. Mr. Gillen testified that the matter came by the request of the owners, the American Shipbuilding Co., and that a resolution passed by their board of directors to the effect that their corporation would not be permitted to take over 10 per cent profit on war work; is that your recollection, that it came to the Shipping Board that way?

Mr. ADAMSON. No, sir. That resolution was passed a year or more before this reconversion contract. As I explained this morning, the resolution of the board of directors was incorporated in the October 20, 1918, cost-plus contract made by Mr. Piez. There was a great deal of confusion in Mr. Gillen's testimony. He was mixing with his settlement things that had happened a year before.

Mr. STEELE. Then, did this action on the part of the American Shipbuilding Corporation come at the suggestion of Mr. Piez, or was it voluntary upon their part? Who took the initiative in the matter?

Mr. ADAMSON. We are discussing now the final settlement—

Mr. STEELE (interposing). No; I am talking about the very beginning of the change of this contract. I have read to you an extract from Mr. Gillen's testimony, where he said that the American Shipbuilding Corporation first passed a resolution that they would not take more than 10 per cent profit on the contract, and that that was brought to the attention of the Shipping Board, and then the matter was handed over to Mr. Gillen, and that Mr. Gillen finally made the settlement. I understood you to say this morning that the question came from Mr. Piez in some way. I just want to clarify the situation.

Mr. ADAMSON. May I state this, so I can answer your question and get the facts before you?

Mr. STEELE. That is what we want, the facts.

Mr. ADAMSON. There were lump-sum contracts for 176 ships, and Mr. Piez called upon the American Shipbuilding Co., to make new contracts that would guarantee the Fleet Corporation against paying excessive profits.

Mr. STEELE. Do you recall when that was?

Mr. ADAMSON. That was, I should say, along in August or September when they first began to negotiate.

Mr. STEELE. Of what year?

Mr. ADAMSON. 1919.

Mr. STEELE. When did Mr. Gillen come with the Shipping Board?

Mr. ADAMSON. October, 1919. As a result of the negotiations of Mr. Piez with this company on October 24, 1918, the contract No. 521 was executed merging the lump-sum contracts into a cost-plus contract. This cost-plus contract had been in effect almost one year when Mr. Gillen came to the Fleet Corporation.

In making this cost-plus contract in October, 1918, it was estimated that Mr. Piez had saved the corporation probably \$20,000,000, because the original contract price of these 176 ships was \$139,000,000 plus, and on top of that there would have been claims for changes and extras and other amounts, which were estimated by the ship-construction division as going as high as \$152,406,000. So that the estimated saving was the difference between \$152,406,000 and what have been the cost under the cost-plus contract No. 521 of October, 1918. None of us knew just what that cost would be under this cost-plus contract. We thought we would have to await the completion of the work, but, as I say, on September 19, 1919, this proposal came from the contractor to go back to a lump-sum basis at \$132,515,800.

There was no one who knew about the case at that time—October, 1919, when Mr. Gillen was making the settlement, who had any thought of saving \$25,900,000 or any such amount as that. We all knew that a year before the savings had been made, if any, and that there could not have been any saving was shown by the fact that in the proposal to settle on a basis of \$132,515,800, the contractor said the price named is as close an estimate as is possible under the difficult circumstances of what the Emergency Fleet Corporation would have to pay if the present contract was continued and the present wage scale maintained.

What we did in making the Gillen settlement of October, 1919, was to take the contractor's estimate of what it would cost, and incorporate it in a lump sum contract as the contract price.

Judge Payne did not accept Mr. Gillen's recommendation literally, but cut \$1.05 a dead weight ton off of Mr. Gillen's recommendations, so that the contract as actually made was \$131,707,000, I believe is the figure.

Mr. STEELE. Then this matter had really been adjusted in this way prior to the settlement made by Mr. Gillen, but Mr. Gillen simply carried it out in the form of a new written contract?

Mr. ADAMSON. Well, I do not believe he carried out the contract of October 24, 1918. That was a cost plus contract, and we were to pay cost plus 10 per cent. We do not know what the cost would have been: it might have been \$125,000,000; it might have been \$135,000,000.

Mr. STEELE. The proposition had been made by the American Shipbuilding Company to the board to change it?

Mr. ADAMSON. Yes, sir.

Mr. STEELE. Previously to this time Mr. Gillen actually made the settlement?

Mr. ADAMSON. Yes, sir.

Mr. STEELE. That is correct, is it not?

Mr. ADAMSON. Yes, sir.

Mr. STEELE. And that was made a considerable time before the settlement was actually made?

Mr. ADAMSON. The first proposal was September 19, and Mr. Gillen, I think, came to Philadelphia on the matter about 10 days later, October 1st, 2d, or 3d.

Mr. STEELE. And then the proposition made by the company was put in the shape of a new contract?

Mr. ADAMSON. Yes, sir.

Mr. STEELE. And that resulted, as you say, in a saving to the Government of about \$20,000,000?

Mr. ADAMSON. No, sir; it did not result in the saving of a cent.

Mr. STEELE. It did not result in the saving of a cent?

Mr. ADAMSON. On the contrary, I will say it might have resulted in a loss, and I want to make it quite clear that the only saving that I ever heard of in connection with this was made on October 24, 1918, when all the lump sum contracts were merged into a single cost plus contract; that the contractor's own estimate of what the cost to the Fleet Corporation would have been was \$132,515,800.

Now, when Mr. Gillen accepted the contractor's own figures and recommended them to Judge Payne, he certainly could not have had in mind—there could not have been any saving, because he was recommending the identical figure offered by the contractor.

Mr. STEELE. Under these contracts, as originally made, does the board have any right to change them from a cost-plus to lump sum?

Mr. ADAMSON. From lump sum to cost plus?

Mr. STEELE. Yes, just the reverse, of the way I put it.

Mr. ADAMSON. There was no stated right in the contract, but it was my understanding, and I think Mr. Piez himself told me this, that at the time the contracts were made it was understood that these were contracts made in a hurry to get ship construction under way, and that there would have to be a readjustment in prices, to see that

the Fleet Corporation did not pay more than a just price. It was not until almost a year later, after the work had been going on for a long time, that they could get some idea of what the profits and what the costs of the ships would be. As I explained this morning, I understood that Mr. Piez had become possessed of some financial statement indicating that they were making very large profits, and that he used that as a basis for demanding that they change to a cost-plus contract.

Mr. STEELE. Were other contracts changed in the same way?

Mr. ADAMSON. Quite a number of lump-sum contracts were changed into cost-plus contracts.

Mr. STEELE. About the same time?

Mr. ADAMSON. Well, I do not know of any right at that same time.

Mr. STEELE. Well, substantially about that time?

Mr. ADAMSON. Yes, substantially the same time.

Mr. STEELE. This morning you mentioned a possible reason for the American Shipbuilding Co. to change the contract for the purpose of saving on their taxation to the Government?

Mr. ADAMSON. That was a subject of considerable correspondence between the Fleet Corporation and the American Ship.

When the cost-plus contract was made by Mr. Piez in October, 1918, there was a provision for \$4,500,000 for amortization of plant, and the contractor was very fearful that that amount of money would be taxed as income, and they tried to get the Fleet Corporation to intervene with the Treasury Department to prevent that; but Mr. Ackerson and Mr. Chase Eastman, one of our counsel in Philadelphia, and certain others all decided that the Fleet Corporation should not interfere with any other governmental department to save any contractor from taxation.

Mr. Steele, may I inject something here to cover my failure to reply fully to the chairman this morning, when he asked me what objections there were to this settlement with Mr. Gillen? I should have said, Mr. Chairman, that Mr. Houston had in mind another rather serious question. This \$4,500,000 about, for amortization, was a definite allowance as a special amortization; that was in the cost-plus contract. But in the definition of costs, the contractor was to have the costs of all the ships, plus 25 per cent overhead and the overhead was to include general operating overhead, special depreciation, alterations and equipment of plants, due to excessive war costs.

It was the contention of Mr. Houston, and I supported him in this contention at least to the extent of saying we should have an opinion from our general counsel on the subject before going ahead with Mr. Gillen's settlement—it was Mr. Houston's contention that the 25 per cent overhead allowance included this special amortization allowance of \$4,500,000, and that we should not permit the \$4,500,000 as a separate allowance. I raised that question at the time that Mr. Gillen made the settlement but Mr. Ackerson ruled that the \$4,500,000 was entirely separate from overhead of 25 per cent. So, accordingly, in the settlement made by Gillen the \$4,500,000 was paid as a separate allowance, included in the lump-sum price, of course.

Mr. STEELE. You stated that the procedure before your board was for the claimant to present a statement of his claim to the board?

Mr. ADAMSON. Yes, sir.

Mr. STEELE. Which should be taken up and passed upon?

Mr. ADAMSON. Yes, sir.

Mr. STEELE. And that frequently subsequent changes were made to the board, asking enlarged amounts from the Government?

Mr. ADAMSON. Yes, sir.

Mr. STEELE. In your analyses of the subsequent statements, what were the enlarged amounts made up of? Was it work done since the presentation of the original claim, or was it an increased amount claimed for work done or materials furnished under the original contract, or how did that happen?

Mr. ADAMSON. Well, to a large extent they were just simply manufactured additions; they were entirely fictitious additions to the claims. I might give you a general indication in connection with the Downey claim.

Mr. STEELE. The award of \$15,000,000, and the claim was——

Mr. ADAMSON (interposing). \$21,239,000.

Mr. STEELE. \$21,239,000?

Mr. ADAMSON. Yes, sir. That claim was never filed in a formal way and sworn to as other claims, but Mr. Downey during the summer of 1919 and all the fall of 1919 would present claims and we would proceed on the theory that we had the ultimate claim from him. And on his failure to get a settlement he would add to his claims, and he has added amounts like, expense through default of owner, \$1,744,000, and on the very last day of the hearing, after he had had some weeks and months of hearings, on his claim before the district adjuster in New York, he added about \$802,000 for excess tonnage.

Then, at one of the hearings before the claims board in Washington, after the claim had gotten down there, he added \$767,750.59, as cost or alleged loss in refinancing a \$750,000 private loan. That shows the general character of inflation of the claims.

Mr. STEELE. There was nothing in the contract covering those items?

Mr. ADAMSON. Oh, no, sir. The first one I read off, the loss through default of the owner, if there had been actually a default of the owner, through which he had suffered a loss, we naturally should have reimbursed him for it, but he had not claimed that and did not.

Mr. STEELE. No such claims were allowed by the board, were they?

Mr. ADAMSON. No, sir.

Mr. STEELE. This morning you were asked about the Morse settlement?

Mr. ADAMSON. Yes, sir.

Mr. STEELE. I understood you to say that the claim was presented there by the Morse Co. By that do you mean the Groton Co.?

Mr. ADAMSON. Yes, sir, on the Noank contract, the last one.

Mr. STEELE. The claim was presented for something like \$900,000.

Mr. ADAMSON. It was about \$900,000.

Mr. STEELE. And there was an award made in favor of the Government for \$235,000.

Mr. ADAMSON. Approximately \$285,000, Mr. Steele.

Mr. STEELE. Do you know whether that claim is secured to the Government?

Mr. ADAMSON. Under certain financial arrangements which we had made providing for an advance of \$1,000,000 to the Groton

Co., the Virginia Shipbuilding Corporation became a surety for the repayment of that money.

MR. STEELE. How secured?

MR. ADAMSON. Well, it just promised to see that it was paid, and there was a contract drawn up to that effect.

MR. STEELE. A contract of guaranty?

MR. ADAMSON. I do not remember.

MR. STEELE. Or, was it a mortgage, do you remember, on the Groton plant?

MR. ADAMSON. We had a mortgage on the Groton plant.

MR. STEELE. You did have a mortgage on the Groton plant?

MR. ADAMSON. Yes, we had a mortgage of about \$1,750,000.

MR. STEELE. Was that intended to secure this balance of \$285,000 that you found in favor of the Government?

MR. ADAMSON. Well, whatever security there was, of course, would apply to that.

MR. STEELE. In this award of \$285,000, did you take into consideration the advances made to the Government down to the time of the award?

MR. ADAMSON. Yes, sir.

MR. STEELE. Have you any knowledge of any adjustment of the claims to the Government against the Virginia Shipbuilding Plant?

MR. ADAMSON. No, no recent knowledge, Mr. Steele.

MR. STEELE. No recent knowledge?

MR. ADAMSON. No, sir.

MR. STEELE. Well has there been any transactions since you did have knowledge on the subject.

MR. ADAMSON. Well, I think there have been quite a number of changes in our relations with the Virginia Ship. I believe we have taken back certain ships which were sold to the Virginia Co.

MR. STEELE. So that there have been some credits since then?

MR. ADAMSON. Some credits through the taking back of ships.

MR. STEELE. You do not feel capable, then, of stating the condition of the accounts between that company and the Government?

MR. ADAMSON. No, sir; I do not.

MR. STEELE. You stated this morning that one of the reasons why a large number of these matters were unadjusted was that you did not have sufficient force in the office. Do you mean clerical or auditing force?

MR. ADAMSON. I do not believe you have understood me on that. I stated that one of the reasons why they were not up on the rebilling was that their force had been considerably crippled. Of course, that is not holding up the adjustments by the claims board; the claims board can go ahead and make its awards subject to an audit, to determine just what the status of the accounts is.

As a matter of fact, in the great majority of the cases the audits are completed at the time we make our recommendations to the board, that is, we have an audit that is current with the negotiations with the contractor; sometimes current and sometimes precedes negotiations, and finally is used by the negotiator in negotiating the settlement. Ordinarily it may be said that the audit is completed before the claims board acts.

MR. STEELE. In the great majority of cases do the contractors accept the award of the board?

Mr. ADAMSON. Yes, sir.

Mr. STEELE. They do?

Mr. ADAMSON. Yes, sir.

Mr. STEELE. Is that done on their theory of avoiding litigation, or do they accept it because of the equitable character of the award?

Mr. ADAMSON. I think the most of them accept it on the theory that they are getting all that is coming to them.

Mr. STEELE. You were explaining this morning that Judge Payne's decision with reference to the powers of the board, to make what Mr. Walsh called an equitable adjustment of the claims presented; it was not quite clear to my mind what Judge Payne's decision was in that matter.

Mr. ADAMSON. I do not feel quite competent to make it clear, Mr. Steele. It lies outside of my province, and if you would excuse me, I would appreciate it, because it is something with which I had nothing to do.

Mr. STEELE. The impression made on my mind—and I will ask you to say whether I am correct or not in my understanding of it—was that the board did proceed to make equitable adjustments of matters where there was any really controverted matter for adjustment, but that Judge Payne held that where there was no controverted matter between the Government and the contractor it was beyond the province of the Shipping Board to yield any admitted right on the part of the Government; that that would have to go before Congress for further authority. Was that your thought about it? That was the impression on my mind.

Mr. ADAMSON. The general effect of Judge Payne's decision was that we could not take promises or assumptions on the part of the shipbuilder, or promises made to the shipbuilder that he would get three or four turns of ways as a basis of making a settlement; that is, in making a settlement, we would have to be limited by our actual contract obligations, although it might be felt that such a settlement would be unjust to the shipbuilder.

Let us say we had made a contract with the shipbuilder for five ships, and he expects to get at least 15 ships, and he thinks his profits out of 15 ships will enable him to amortize the plant. We go ahead and cancel, even, say, the first five which we have given him, and do not give him any more. In making the settlement on the cancellation on the first five, of course, we would be entitled to consider a proper amortization, but not an amortization of the entire plant, of course.

Now, what the wood shipbuilders wanted was a more generous treatment in the matter of amortization and more generous treatment in the matter of settlement, so that they would not have to be out of pocket as a result of their venture into the shipbuilding business.

Mr. STEELE. That phase of the matter, then, as I understand you, was simply this, that Judge Payne held that he was limited by the terms of the contract, that he could not reform the contract and make a new contract more favorable to the contractor?

Mr. ADAMSON. And that he felt that Congress should authorize any such reformation of contracts in the future.

The CHAIRMAN. With reference to the Groton Iron Works' settlement, you say a claim was for some \$900,000 on account of the Noank plant?

Mr. ADAMSON. That is a wood-ship contract.

The CHAIRMAN. That is the wood ship?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. How about the steel-ship contract there?

Mr. ADAMSON. Well, that is covered in this April settlement.

The CHAIRMAN. Has there been a settlement?

Mr. ADAMSON. Well, the settlement contract has been made.

The CHAIRMAN. The Groton Iron Works went surety, did they not, for the Virginia Shipbuilding contract, in the beginning?

Mr. ADAMSON. I do not recall, Mr. Chairman. When we advanced money, \$1,000,000, about April 29, 1920, for the completion of the work at Groton, the Virginia ship was then required to become a surety for the payment of that money.

The CHAIRMAN. That is for the Groton?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. But, when you went into the contract with the Virginia Ship, was not the Groton Works involved in the assurity for the performance of the Virginia Ship?

Mr. ADAMSON. I do not remember, Mr. Chairman.

The CHAIRMAN. Do you know whether the Virginia Shipbuilding Corporation has recently been sued for an accounting?

Mr. ADAMSON. By the Fleet Corporation?

The CHAIRMAN. Yes.

Mr. ADAMSON. No, sir; I do not know.

The CHAIRMAN. Do you know whether the Virginia Shipbuilding Corporation sued the Fleet Corporation for an accounting?

Mr. ADAMSON. I have understood that there was some suit either already brought or in contemplation.

The CHAIRMAN. Is Mr. Cuthell now, or was he, counsel for the American Shipbuilding Corporation?

Mr. ADAMSON. Mr. Cuthell was in October, 1919, counsel for the American Shipbuilding Corporation.

The CHAIRMAN. And he was prior to that time counsel for the Shipping Board?

Mr. ADAMSON. General counsel for the Shipping Board—Emergency Fleet Corporation.

The CHAIRMAN. Do you know whether or not he passed on these contracts with the American Shipbuilding Corporation while he was counsel for the Fleet Corporation?

Mr. ADAMSON. I believe that he had to do with the contracts, at least one of them.

The CHAIRMAN. Did I understand you to say that he negotiated this last contract of settlement?

Mr. ADAMSON. Who, Mr. Cuthell?

The CHAIRMAN. Yes.

Mr. ADAMSON. I believe Mr. Cuthell signed the first letter of September 19. I think that Mr. M. E. Farr, president of the company, signed the second letter, which was of September 25; and that Mr. Farr and Mr. Cuthell both had to do with the negotiations with Mr. Gillen.

Mr. Chairman, you asked me this morning about the completion of this contract. I might say that at the time this settlement by Mr. Gillen was made there were 131 ships, which had been delivered at that time, and there remained 45 to be delivered.

The CHAIRMAN. You have nothing to do with the adjustments of operators' agreements?

Mr. ADAMSON. No, sir.

The CHAIRMAN. And nothing to do with the adjustment of claims on account of commandeered ships?

Mr. ADAMSON. I have nothing to do with claims on account of ships commandeered after their completion; that is, ships that were on the seas and commandeered for use. Theoretically, I do not have to report on any claim on account of ships requisitioned on the ways.

The CHAIRMAN. You were talking about ships commandeered at sea. They call them commandeered ships, do they not?

Mr. ADAMSON. I have not had anything to do with any of those claims, Mr. Chairman.

The CHAIRMAN. Do you recall any claim filed with the Shipping Board or the Fleet Corporation on behalf of the Green Star Co.?

Mr. ADAMSON. Yes, sir—oh, Green Star? I do not know of a claim; I recall a transaction there in connection with the Green Star.

The CHAIRMAN. Was that a construction claim?

Mr. ADAMSON. The Green Star Steamship Corporation held a contract with the G. M. Standifer Construction Corporation, for the construction of five ships, and there was some trouble with financing this contract; and on April 20, 1920, an arrangement was made with the Fleet Corporation and by which the Fleet Corporation took over the Green Star contract, and at the same time made a contract with the Green Star by which we sold back the ships to the Green Star, at their exact cost to the Fleet Corporation, under this first agreement.

The CHAIRMAN. Was that for the construction of ships that had previously been canceled by the Shipping Board or Fleet Corporation?

Mr. ADAMSON. You can hardly say that it is for the construction of the same ships. As a matter of fact, that is practically true. We canceled five ships on a contract which we had with the G. M. Standifer Co., and on November 3, 1919, the G. M. Standifer Co. made a contract with the Nafra Co. (Inc.), to build five ships that were practically identical in size and design with the five ships which we had canceled. The Nafra Co. and the Green Star Co. are affiliated companies, and the Green Star Co., it appears, was the chief holder of the rights of the Nafra Co. in this contract when, on April 20, we took over the contract.

The CHAIRMAN. The Nafra or the Green Star were having difficulty in financing the contract for these five ships with the Standifer Co.?

Mr. ADAMSON. That is my understanding.

The CHAIRMAN. And the Shipping Board came in to it to help out financing the contract, with an agreement that the Green Star or the Nafra would take the ships off their hands after they were completed?

Mr. ADAMSON. Correct—at the exact cost to us.

The CHAIRMAN. Was not the same material used in the construction of these two ships that was sent to the yard by the Fleet Corporation for these five ships, which were canceled?

Mr. ADAMSON. I believe that all the materials for canceled ships suitable for use on these five vessels were used on the Nafra contract, which had previously been sold to the Standifer Co. for about 50 cents on the dollar.

The CHAIRMAN. Had been sold?

Mr. ADAMSON. Yes. You see, previously the sale was made after the Nafra contract had been made.

The CHAIRMAN. Yes.

Mr. ADAMSON. That is, the arrangement was practically simultaneous with the execution of the Nafra contract. The Nafra contract was dated November 3, 1919.

The CHAIRMAN. I mean, previous to the Fleet Corporation coming in and helping out in the financing?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Do you know of any other instances where the Fleet Corporation has done that?

Mr. ADAMSON. I do not.

The CHAIRMAN. Do you know who arranged it?

Mr. ADAMSON. No, sir.

The CHAIRMAN. You said something about, in some of these settlements, you thought there was taken into consideration the policy by the Shipping Board of keeping some shipyards going. Do you know who is responsible for that policy?

Mr. ADAMSON. I can not say who is responsible for it.

The CHAIRMAN. Who was chairman of the board when that was one of the considerations taken into account?

Mr. ADAMSON. I believe—I may not be safe in making the statement, but I believe it has been felt under the last three chairmen that it would be a good thing for the country if we could keep well-equipped shipyards in existence, not with any view to their building, but simply to have the facilities.

The CHAIRMAN. And that the Shipping Board should therefore be fairly liberal in settlements for work they had done in the yards in order that the shipyards might continue to exist?

Mr. ADAMSON. I simply mention that as one of the possible considerations for settlements more liberal and generous than could be recommended from a strictly rigorous accounting point of view.

The CHAIRMAN. Do you know of any reason why, without assuming that it was done, that that should be taken into consideration in the settlement with the Skinner & Eddy, and the Union Iron Works, the Fore River, or the Bethlehem Shipbuilding Corporation, or plants of similar capacity and size?

Mr. ADAMSON. Mr. Chairman, I should not regard that as a reason for making a more liberal settlement in the cases which you have mentioned.

Mr. STEELE. They were all permanent plants.

The CHAIRMAN. Can you cite any instances where this matter was taken into consideration by either the claims board or the chairman of the board in making a settlement?

Mr. ADAMSON. In the Terry Shipbuilding case, which we discussed this morning, that was one of the considerations.

The CHAIRMAN. Where is that?

Mr. ADAMSON. The Terry Works, at Fort Wentworth, just outside of Savannah, Ga.

The CHAIRMAN. How many ways have they?

Mr. ADAMSON. I believe it is a four-way plant.

The CHAIRMAN. A steel plant?

Mr. ADAMSON. Yes, sir; for building steel ships.

The CHAIRMAN. That is what I mean.

Mr. ADAMSON. Yes.

The CHAIRMAN. You stated that you believed that the claims board was functioning efficiently?

Mr. ADAMSON. I believe so.

The CHAIRMAN. And has been?

Mr. ADAMSON. "Has been" is very indefinite, Mr. Chairman; if you can——

The CHAIRMAN. I had not finished.

Mr. ADAMSON. I beg your pardon.

The CHAIRMAN. And has been for the entire period of its existence, as at present constituted.

Mr. ADAMSON. I can not, of course, say that the claims board has functioned with 100 per cent efficiency since it was organized here in February of 1920. There was some disorganization, as the result of moving down from Philadelphia, and a general procedure had not been fully definitized; the relations with the general controller's office had not then been established, and I might say since about last June everything from our point of view has functioned remarkably well.

The CHAIRMAN. You think that since this policy and procedure has become fixed and settled that the board has considered matters without loss of time, and followed the general policy laid down and transacted its business with dispatch and efficiency?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. And I assume that your estimates that matters would be concluded by January of 1922 was predicated upon the expectation that the board would continue to function in the future as it has since June of last year?

Mr. ADAMSON. Yes; but, Mr. Chairman, when I estimated it would take a year to clean up everything I did not mean to convey the impression that the claims board would have to remain in existence that long.

The CHAIRMAN. Oh, no.

Mr. ADAMSON. I really believe the claims board will have finished work in six months from this date.

The CHAIRMAN. I understood that. But I said it will be necessary for the claims board to complete its work before these matters can be adjusted.

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. If you are going to follow the procedure that has been followed heretofore, except in some instances which you have mentioned—since Admiral Benson has been chairman of the Shipping Board, has he settled cases without reference to recommendations of yourself or the claims board?

Mr. ADAMSON. I believe that Admiral Benson insists upon having the claims board pass upon everything before he has anything to do with it.

The CHAIRMAN. And there have been no exceptions to that, so far as you know?

Mr. ADAMSON. There may have been exceptions, but I have not been advised of them.

The CHAIRMAN. I say, so far as you know, there have been no exceptions?

Mr. ADAMSON. I do not recall any case that has gone before Admiral Benson that had not been before the claims board.

The CHAIRMAN. Did the Hog Island settlement come before the claims board?

Mr. ADAMSON. The Hog Island settlement was discussed I believe before the old claims board, but was not a claims board settlement. I think it was a direct negotiation between the heads of the Fleet Corporation and the American International Co.

The CHAIRMAN. The board made no recommendations in that, did they?

Mr. ADAMSON. I do not recall any recommendations.

The CHAIRMAN. They were not asked for any, so far as you remember?

Mr. ADAMSON. I was not asked for any.

The CHAIRMAN. You were not asked for any, and neither was the claims board, as far as you know?

Mr. ADAMSON. I do not know that the claims board was ever asked.

The CHAIRMAN. I think you testified that the Bethlehem Co. had not been settled with yet, definitely.

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Have they filed their claim?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Have you looked into it?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. How much does it involve?

Mr. ADAMSON. There are quite a number of these claims, and I could not tell you the amounts. When I say they have "filed their claims," Mr. Chairman, I do not mean to say they have filed all of their claims, because one contract was recently canceled over at their Sparrows Point yard, on which they have not filed claims.

The CHAIRMAN. Can you give us any idea how much their claims, which have been filed, involve?

Mr. ADAMSON. Well, their claim on—just take the Liberty plant, at Alameda, Calif., as an example. In that case their net claim was about \$803,000.

The CHAIRMAN. For what?

Mr. ADAMSON. The Liberty plant was to be a yard equipped to build 20 large transports, and we canceled the 20 transports. Under the contract, in cases of cancellation, we had to pay them a certain percentage of the cost of ship construction work and the cost of the plant.

The CHAIRMAN. Was there a plant there?

Mr. ADAMSON. There had been a great deal of money spent on the construction of the plant. The plant was not completed.

The CHAIRMAN. Was there any ways at all?

Mr. ADAMSON. I do not believe they had got to that point.

The CHAIRMAN. It was just a big building put up there?

Mr. ADAMSON. There had been a great deal of grading.

The CHAIRMAN. They carted in a lot of sand and leveled it off, put up a big building, and then used it for a storage plant?

Mr. ADAMSON. There had been over \$4,000,000 worth of work done on the plant.

The CHAIRMAN. Who paid for that?

Mr. ADAMSON. The Emergency Fleet Corporation.

The CHAIRMAN. What is the Bethlehem's claim of \$800,000 based on?

Mr. ADAMSON. That was based on a profit on the work done at the plant.

The CHAIRMAN. A profit on the work done by whom?

Mr. ADAMSON. By themselves and their contractors in starting this plant.

The CHAIRMAN. What work did they do at the Liberty Plant?

Mr. ADAMSON. They were our agents or superintendents in charge of the work.

The CHAIRMAN. They supervised the starting of the dumping in of this sand, did they not?

Mr. ADAMSON. They supervised the work that was done; they were responsible for it under the contract.

The CHAIRMAN. But they did not pay anything for it?

Mr. ADAMSON. The Fleet Corporation met the bills.

The CHAIRMAN. The Fleet Corporation paid the bills, and they want \$800,000 profit on the work which they simply supervised, but which the Fleet Corporation paid for; that is it, is it not?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Have you examined into the expense account of the Bethlehem contracts?

Mr. ADAMSON. In certain contracts I have looked into some of their costs.

The CHAIRMAN. Their costs?

Mr. ADAMSON. Yes.

The CHAIRMAN. Have you made any detailed examination of any of their costs?

Mr. ADAMSON. I personally have not made a detailed examination, but have caused detailed examinations to be made into costs in certain yards in connection with certain work. For instance, the Harlan & Hollingsworth—the Harlan plant at Wilmington.

The CHAIRMAN. Is that a Bethlehem plant?

Mr. ADAMSON. Yes; the general comptroller's department is now conducting an audit into their costs, but I have not charge of that Mr. Chiarnan.

The CHAIRMAN. You do not look into the question of salaries of officers of ship construction plants, do you?

Mr. ADAMSON. In connection with claims, in analyzing overhead, if the salaries were excessive, we do make objections.

The CHAIRMAN. You do?

Mr. ADAMSON. Yes, sir.

The CHAIRMAN. Do you find any salaries in any of the Bethlehem Co.'s plants to which you have made objections?

Mr. ADAMSON. I have not, based on the overhead.

The CHAIRMAN. You have not got to that yet?

Mr. ADAMSON. No, sir.

The CHAIRMAN. Do you know whether anybody has in the comptroller's department?

Mr. ADAMSON. I think that Mr. McKeon can advise you of the present status of the Bethlehem audit.

Mr. CONNALLY. Mr. Adamson, I believe you stated that they have already made a settlement with the American International at Hog Island, known as the Hog Island plant?

Mr. ADAMSON. Yes, sir.

Mr. CONNALLY. Is that a complete and final settlement?

Mr. ADAMSON. Well, that is as far as the basis is concerned. Of course, in turning over the yard there might be something in relation to accounting come up there. With a yard and plant as big as that there are so many innumerable details that you can never say off hand that it is a final settlement.

Mr. CONNALLY. In making the settlement with Hog Island, did the question of salaries of officials and things of that kind enter into the matter, such as Mr. Walsh asked you about Bethlehem?

Mr. ADAMSON. I can not tell just what they took into consideration, Mr. Connally. Under the contract for the Hog Island with the American International Co.—of course, we paid all of certain salaries, salaries of people engaged there, and we had to approve those pay rolls currently.

Mr. CONNALLY. As they went along?

Mr. ADAMSON. Yes, sir.

Mr. CONNALLY. You said something this morning about the Downey shipbuilding concern. I do not recall now as to whether or not you said the final settlement had been made with that company?

Mr. ADAMSON. The award has been made by the claims board, but it has not been accepted.

Mr. CONNALLY. It has been made by the claims board, but it has not been accepted, and no money has been paid?

Mr. ADAMSON. There have been payments in excess of the amount of the award.

Mr. CONNALLY. In other words, on the basis of the award the Downey Shipbuilding Co. owes the Shipping Board money?

Mr. ADAMSON. Yes, sir.

Mr. CONNALLY. Is it not a fact that this Downey Co. is in the hands of receivers or in bankruptcy? It seems to me I saw something of that kind.

Mr. ADAMSON. They are in the hands of a receiver.

Mr. CONNALLY. A few days ago, if I am not in error, I saw an account in the paper where some kind of creditor proceedings had been instituted?

Mr. CONNALLY. And this American Shipbuilding Co.'s program is a Cleveland concern; I believe you said it was?

Mr. ADAMSON. Yes, sir.

Mr. CONNALLY. The upshot of that was that they started out on a lump-sum contract?

Mr. ADAMSON. Yes, sir.

Mr. CONNALLY. And it was later changed to a cost-plus contract?

Mr. ADAMSON. Yes, sir.

Mr. CONNALLY. And then when the settlement was about to be made, they fixed on a flat sum of \$131,000,000 for the completion of all ships as agreed on?

Mr. ADAMSON. Yes, sir.

Mr. CONNALLY. So it was really changed twice?

Mr. ADAMSON. Yes, sir.

Mr. CONNALLY. But by reason of that change, on the face of things, you saved \$8,000,000, and in addition to that whatever sums had accrued by reason of additions to or changes in the existing plant. Is that correct?

Mr. ADAMSON. By reason of the first change, converting the lump-sum contracts into cost-plus contracts, in 1918, on the face of things—we saved over \$8,000,000 and had estimated savings of approximately \$15,000,000.

Mr. CONNALLY. By reason of what? Where did this come in?

Mr. ADAMSON. The changes and extras and things like that. I want to make it quite clear that that saving was in 1918 when Mr. Piez changed this contract from a lump sum to cost plus.

Mr. CONNALLY. I understand, but you did not ascertain that saving, however, until the cost plus work had been done and the settlement had been reached sometime later?

Mr. ADAMSON. Of course, we could not tell what the saving would be until we determined the cost plus cost.

Mr. CONNALLY. But when you finally did determine that you found you had made an apparent saving of \$8,000,000, and, in addition to that, whatever sums you would find obligated for by reason of changes and improvements on the plant.

Mr. ADAMSON. Mr. Connally, as a matter of fact, we never did determine what the saving would have been, because we never determined what the cost would have been on the cost plus contract. When Mr. Gillen negotiated the settlement reconvertng to a lump-sum contract, of course, he set up a definite lump-sum figure.

Mr. CONNALLY. I know. But did not you use as a basis for that settlement the cost plus expenses and costs that had been paid, as far as they had—

Mr. ADAMSON (interposing). Oh, no; the contractor's estimate of what the lump cost would be under the cost-plus contract was only an estimate which the contractor himself refused to certify or guarantee.

Mr. CONNALLY. As a matter of fact, did they go on to build all these ships under that \$131,000,000 settlement?

Mr. ADAMSON. Yes, sir.

Mr. CONNALLY. And deliver them to the Government?

Mr. ADAMSON. There have been some claims on account of changes and extras and things of that kind.

Mr. CONNALLY. What I mean is, by reason of this settlement in advance of the actual delivery of these ships, did or did not the Shipping Board lose any money, or did they go on and build ships and deliver them to the Shipping Board for the \$131,000,000, subject to such changes as were brought about by changing pattern or additions?

Mr. ADAMSON. They went ahead and completed on the lump-sum price of the latest contract, but whether or not they lost money, we can not tell. We would have to find out what the cost would have been under the cost plus,

Mr. CONNALLY. What I mean, is by reason of arranging settlement before you actually got the ships, the company did not beat you out of any money; they went on and completed the ships and turned them over?

Mr. ADAMSON. They did not beat us out of any money in that way. There was that possibility of a loss, due to the fact that the cost under the cost plus might have been considerably less than \$131,000,000.

Mr. CONNALLY. I understand that, but there seemed to be some point that the board had acted very foolishly and improvidently in

settling on the \$131,000,000 before the completion and delivery. But you withheld payment, as I understand?

Mr. ADAMSON. We had already paid about \$121,000,000 at the time this last contract was made, and there remained to be paid only about \$10,000,000, which has been paid currently.

Mr. CONNALLY. You stated, in the case of the Saginaw Company, I believe it was, that the company had agreed to accept a certain figure in settlement, and at a later date had the books audited and secured a larger sum than they had agreed to take. How did that happen? In brief—you need not go into all the details.

Mr. ADAMSON. What I want to say is that they employed numerous accountants to prepare a claim and set up a claim from their books, and that they increased—that is, their claim as finally submitted—was more than \$1,000,000 in excess of the amount which they had agreed in December, 1919, to accept. A great deal of that increase, as I recall it, was due to claims for unabsorbed overhead.

Mr. CONNALLY. What I am trying to get at is that after they agreed to accept that original sum, why did not the Shipping Board go on and settle with them without waiting and giving them an opportunity to go out and rake up other matters?

Mr. ADAMSON. Because the then chairman of the claims board felt that the amount awarded by the district claims board was somewhat excessive, and that they were getting too much.

Mr. CONNALLY. There was some contract this morning that you said was settled in order to save an audit. Was that this American Shipbuilding?

Mr. ADAMSON. The American Shipbuilding Co. was one.

Mr. CONNALLY. You say that was in order to avoid another audit. Is it not a fact that you had local auditors at the different plants of these companies which had been carrying on an audit as they went along?

Mr. ADAMSON. With the beginning of the cost-plus contract, October 24, 1918, we had to install a system of current audit on all expenditures. Up to that time, during the lump-sum period, of course, we were not so deeply interested in the audit.

Mr. CONNALLY. From that audit, though, covering the period of time for which it was made, could you not tell anything about the proportionate amount of work that had been done under the lump-sum contract and under the cost plus?

Mr. ADAMSON. We never used the cost——

Mr. CONNALLY (interposing). Could you not figure from the audit that you did have fairly accurately?

Mr. ADAMSON. I think it would have been very unreliable.

Mr. CONNALLY. Of course, it would if you had undertaken to have an absolute settlement on that, but you could have hit around the neighborhood, could you not?

Mr. ADAMSON. We might have missed it by several million dollars. When you are dealing with a settlement involving \$132,000,000, I think we ought to be very careful.

Mr. CONNALLY. Certainly you ought. But what I mean is that making a partial audit is better than none, is it not?

Mr. ADAMSON. Yes, sir.

Mr. CONNALLY. You say you settled on \$131,000,000 without any audit?

Mr. ADAMSON. Yes, sir.

Mr. CONNALLY. It showed, do you not think, that there was an apparent saving of \$8,000,000 between the \$139,000,000 and the \$131,000,000 operating as an inducement for these gentlemen to settle on a smaller figure without a further audit?

Mr. ADAMSON. You mean this last settlement?

Mr. CONNALLY. This \$131,000,000.

Mr. ADAMSON. There was not any opportunity for any saving under this last settlement. There was no ostensible saving. There was no claimed saving. The contractor himself said that the cost under the existing contracts will be \$32,515,800. That was investigated by some of our ship construction people, and some of them said this figure of \$132,515,000 seemed to be a fair translation of the existing cost-plus contract into a lump-sum figure. •

I do not believe anybody at the time was deluded into the belief that that saving was being made when we converted back to the lump-sum basis.

Mr. CONNALLY. I understand that, but what I mean is, this last settlement was really a settlement, was it not?

Mr. ADAMSON. No, that was a reconversion into a lump-sum contract.

Mr. CONNALLY. Whether you call it a settlement or a reconversion, there was still an apparent saving over the original \$139,000,000?

Mr. ADAMSON. Over the original, yes.

Mr. CONNALLY. That is what I am talking about.

Mr. ADAMSON. Yes.

Mr. CONNALLY. Did that or did it not operate as an inducement for the officials of the Shipping Board to accept that figure without any further controversy or audit rather than to have to go back and take chances?

Mr. ADAMSON. I do not see how it could have operated as an inducement, because we knew that the only possible saving had already been made in the merging of the lump-sum contracts into the cost plus contracts.

Mr. CONNALLY. Did you know how much the cost-plus contract was going to amount to?

Mr. ADAMSON. We did not know.

Mr. CONNALLY. No; how did you know, then, whether you had made a saving or not?

Mr. ADAMSON. I say that the only possible savings had been made, and using the contractor's own figures under the cost-plus contract, the saving would have been about \$20,000,000, the savings made changing to the cost plus.

Mr. STEELE. You referred awhile ago to a contract with the Green Star Steamship Co. What was that original contract and when was it made?

Mr. ADAMSON. Do you mean the construction contract for the construction of the ships?

Mr. STEELE. Yes; if that was the start of it.

Mr. ADAMSON. Well, it started on November 3, 1919, when the Nafra Co. made a contract with the G. M. Standifer Construction Corporation for the construction of five vessels.

Mr. STEELE. That was after the termination of the war. Was the Government making new contracts for—

Mr. ADAMSON. This was November 3, 1919. The Government did not make this contract; it was made by the Nafra Co., a private corporation.

Mr. STEELE. When did the Government take an interest in the contract?

Mr. ADAMSON. In April, 1920, the Government took over the contract.

Mr. STEELE. That was after the termination of the war, was it not?

Mr. ADAMSON. Yes, sir.

Mr. STEELE. Did they make new contracts at that time?

Mr. ADAMSON. Well, they made this contract to take over the Nafra contract, finance its completion, and then sell the ships back to the Green Star Co.

Mr. STEELE. After the result of those negotiations, was there any loss to the Government?

Mr. ADAMSON. I do not know, Mr. Steele. The situation has changed since the April 20th contract was made. The Green Star Co. made two contracts with us on April 20th, and were selling all of it, right, title, and interest in the Nafra contract to us.

Mr. STEELE. Before that, did the Government have any interest in that contract whatever?

Mr. ADAMSON. None until it acquired it that day—April 20, 1920. The other contract was a contract to purchase these ships when completed, the price to be their actual cost to us. Then on July 27, the board of trustees of the Fleet Corporation adopted a resolution by which that purchase was annulled, and we are keeping the ships instead of selling them; that is, they remain our property, but are assigned under an operating agreement to the Green Star Co. for operation—under the agency agreement.

Mr. STEELE. Who was the chairman of the Shipping Board at that time?

Mr. ADAMSON. In April? Let's see—Admiral Benson was chairman on April 20—I am not sure, but I think he was.

Mr. STEELE. And you are unable to say what the final financial result to the Government was on those contracts?

Mr. ADAMSON. Well, the result would be that we will have paid so many million dollars for five ships. Now, what the ships are worth is more or less problematical.

Mr. STEELE. Do you know who conducted the negotiations on behalf of the Government in that case?

Mr. ADAMSON. I can not say, of my own knowledge. The first knowledge I had of the contract—

Mr. STEELE (interposing). Did Admiral Benson do it in person or did somebody representing the board, or do you know?

Mr. ADAMSON. I do not know.

Mr. STEELE. You have no information on that subject at all?

Mr. ADAMSON. The only information I have is of a period after the April 20 contract had been made. My first knowledge came from the office of Mr. John A. Beck, who was one of the lawyers over there associated with Mr. Gillen, and he sent me over some copies of the contracts, and asked that certain payments be made to the Standifer Co. in accordance with this contract.

Mr. STEELE. You say John A. Beck?

Mr. ADAMSON. Yes, sir.

Mr. STEELE. A lawyer of New York?

Mr. ADAMSON. No; he was one of the assistant counsel.

Mr. STEELE. For the Shipping Board?

Mr. ADAMSON. For the Shipping Board.

Mr. STEELE. And he was associated with Mr. Gillen?

Mr. ADAMSON. He was, I believe—I do not know whether he was on the personal staff of Mr. Gillen or not, but I know Mr. Gillen used him on his work to a large extent.

Mr. STEELE. And the first information you had on those contracts was when Mr. Beck forwarded you written papers?

Mr. ADAMSON. Yes, sir; copies of the contract.

Mr. STEELE. And did you make payments, then, in pursuance of that instruction?

Mr. ADAMSON. Not in pursuance of that instruction, but we did. In the contract of April 20 we were required to pay the Equitable Trust Co. of New York \$1,350,000, which had been borrowed by the Nafra and Green Star Cos. to finance this construction contract. On April 22, I believe that \$1,350,000 was paid in accordance with the contract required.

Mr. STEELE. What bank was that?

Mr. ADAMSON. The Equitable Trust Co. I believe that after some wiring back and forth that in May—about May 7—they authorized the district comptroller to make certain payments to Standifer in connection with these contracts.

Mr. STEELE. Who gave the authorization?

Mr. ADAMSON. The general comptroller's office.

Mr. STEELE. Did you ever talk to Admiral Benson about that contract?

Mr. ADAMSON. No, sir; I never have.

Mr. STEELE. Did you ever talk to Mr. Gillen about it?

Mr. ADAMSON. I do not recall ever speaking to Mr. Gillen about the contract.

Mr. STEELE. The result of it is, then, that the Government in April, 1920, entered into this contract, and by reason of that contract became owner of these five ships?

Mr. ADAMSON. Yes, sir.

Mr. STEELE. Had they been constructed at time, or were they in course of construction?

Mr. ADAMSON. They were in course of construction. I am uncertain, but I believe that about two of them had been finished and completed.

Mr. STEELE. Two of them had been finished?

Mr. ADAMSON. Had been finished.

Mr. STEELE. Have the remainder been finished?

Mr. ADAMSON. I believe the last delivery was some time the latter part of 1920.

Mr. STEELE. Is the account settled?

Mr. ADAMSON. With the Standifer Co.?

Mr. STEELE. Yes, sir.

Mr. ADAMSON. I do not know. I should doubt it very much, because—

Mr. STEELE (interposing). Do you know what amount has been paid on account of it?

Mr. ADAMSON. No. sir.

Mr. STEELE. Mr. Adamson, I suppose the information I have asked for about this Green Star transaction can be obtained for us by you?

Mr. ADAMSON. Would you mind repeating just what you want, Mr. Steele?

Mr. STEELE. All the information relating to the contract, you can obtain and give us in reference to who negotiated the original contract, what the terms of the contract were, how far they had proceeded with the completion of the work, and how much has been paid on account of it.

Mr. ADAMSON. Of course, I should be very glad to furnish you with any information that is available. I will be very glad to give you the amounts paid up to date, the amounts claimed and all of that information.

But if you will permit me, I would like to suggest that you adopt a more direct method of getting part of the information you want, that is, as to who negotiated the settlement. I think that would come with better propriety from the trustees, themselves, rather than to have one of the subordinates ask the trustees about it.

Mr. STEELE. Was this conducted on behalf of the Shipping Board or the Emergency Fleet?

Mr. ADAMSON. The Shipping Board and the Emergency Fleet Corporation were both parties to the April 20 contract. In the April 20 contract the Emergency Fleet Corporation was made the agent and representative of the Shipping Board.

Mr. STEELE. I understand that, but was it not a rather unusual procedure for both the Emergency Fleet and the Shipping Board to become parties to the contract? Were not the contracts made either by one or the other?

Mr. ADAMSON. The contracts are usually made with the United States Shipping Board, Emergency Fleet Corporation, that is, a construction contract.

Mr. STEELE. From the agents of the Shipping Board, but you say both the Shipping Board and its agency the Emergency Fleet were parties to this contract?

Mr. ADAMSON. I believe that was on account of the fact that the contract involved a sale of property of the Shipping Board, and we were agreeing to sell these ships back to the Green Star Co.

Mr. STEELE. Did the Shipping Board and Emergency Fleet both take official action with reference to that; did they pass resolutions on the subject, both boards?

Mr. ADAMSON. I can not tell you. All I had before me was copies of the contracts themselves. On July 27, I believe it was, last year, 1920, when the sale agreement was annulled, there was a resolution by the Board of Trustees of the Fleet Corporation, but I know of no resolution by the Shipping Board.

Mr. STEELE. Was there any preliminary investigation with reference to the annulment of the sales contract, for instance, any report, any statement to the board itself as to the propriety of that action?

Mr. ADAMSON. I presume that they must have reports there, as a guide for their action.

Mr. STEELE. Would not that show who conducted negotiations?

Mr. ADAMSON. It should.

Mr. STEELE. Well, now, that is the information we would like to have.

(The data requested of witness, and later submitted by him, is here printed in full.)

UNITED STATES SHIPPING BOARD EMERGENCY FLEET CORPORATION,
Washington, D. C., January 24, 1921.

HON. JOSEPH WALSH,
Chairman Select Committee on United States Shipping Board.

SIR: In accordance with the directions of your committee I submit the following facts in supplement to my testimony concerning the Nafra contract and the Fleet Corporation's relations with the Green Star Steamship Corporation.

It appears from the records of the Shipping Board and from extracts from the minutes that the various negotiations with the Green Star Corporation were conducted by Mr. Martin J. Gillen, special assistant to the chairman of the Shipping Board. (See Exhibit A, p. 3347.)

To state the facts intelligently it is necessary to begin with a Fleet Corporation contract with the G. M. Standifer Construction Corporation. This was contract No. 503 S. C., dated September 20, 1918, for five 9,500-ton steel steamers of the Isherwood type, to be built for a lump sum price of \$1,820,000 each.

All five of these vessels were suspended February 11, 1919.

On April 14, 1919, the G. M. Standifer Corporation submitted a sworn claim for \$1,639,266.54 for damages on account of the suspension of the contract, made up chiefly of three items for materials and finished products aggregating \$960,898.98.

At that time there was not the slightest suggestion that the Fleet Corporation was responsible for any other materials than the materials purchased on account of this suspended contract.

On September 5, 1919, the cancellation claims and contracts board voted to settle all claims at a cost to the Fleet Corporation of approximately \$183,110.62, the contractor to take materials at cost. A settlement contract was drawn up but not executed.

On September 22, 1919, the claimant revised his claim and increased it to \$3,706,197.98, and included a claim of \$1,043,344.42 for material ordered for contract No. 156, which the claimant stated would have been used on the suspended contract No. 503.

Contract No. 156 was for ten 9,500 dead-weight ton vessels. It was a lump-sum contract, and the Fleet Corporation was not responsible in any way for excess purchases of materials. The contract was never canceled. At that time it was only about half completed.

On October 7, 1919, E. D. Levy, chairman of the cancellations, claims and contracts board, reported to Chairman John Barton Payne that cancellation of contract No. 503 would cost \$2,800,000, of which \$1,500,000 would represent loss on materials.

It appears from the record that the negotiations for settlement were conducted by Mr. Levy with Mr. G. M. Standifer and Mr. Chester W. Cuthell, who had been general counsel of the Fleet Corporation, but was then representing the contractor.

On November 1, 1919, the contract for the five suspended vessels under contract No. 503 was formally canceled by the Fleet Corporation.

Two days later, on November 3, 1919, the Standifer Corporation made a contract with the Nafra Co. (Inc.) to build five ships practically identical with the five ships canceled under contract No. 503 and requiring the same materials.

Two days after this, on November 5, 1919, Chairman Levy reported to Vice President J. L. Ackerson, recommending a settlement with the contractor at a cost of \$2,663,497.38. This settlement required that the Fleet Corporation should buy the so-called surplus from the uncanceled contract No. 156 at cost plus handling charges and immediately sell the same material back to Standifer at half the cost to the Emergency Fleet Corporation. Also, the Emergency Fleet Corporation was to take over the materials for the five canceled vessels at cost and sell back to Standifer at half cost.

Mr. Ackerson refused to approve the recommendation and asked for the views of the district officials.

On November 8, 1919, Mr. Levy sent a long telegram to the district cancellations, claims and contracts board, giving details of the proposed settlement and asking the board to wire if any good reasons existed why the settlement should not be made, and saying "otherwise, want your unqualified concurrence."

On November 14, 1919, the district board convened and disapproved the Levy settlement in large part, and the secretary of the board was instructed to enter in the minutes "a protest against our acting on any settlement claims applying to canceled hulls when the district board has no knowledge or record of any such claims." Mr. Levy was notified by wire on November 14.

On November 17, 1919, Chairman Levy wrote to the contractor that in confirmation of a conference with Mr. Standifer and Mr. Cuthell, he would cause his board to adopt

a formal resolution to purchase the materials from both contracts, Nos. 503 and 156, on the following basis:

1. All materials to be sold to Standifer at 44 per cent of cost if the settlement negotiated by Mr. Levy should be approved by Mr. Ackerson.

2. All materials to be sold to Standifer at 50 per cent of the cost if the proposed settlement should not be approved by Mr. Ackerson.

The same day, November 17, 1919, the cancellations claims and contracts board adopted a resolution in accordance with Mr. Levy's promise, agreeing to take over material for approximately \$1,749,541.54, made up of \$841,354.95 from contract No. 156 and \$908,186.50 from the canceled contract No. 503, and to sell back either at 44 per cent or 50 per cent, the percentage depending upon Mr. Ackerson's approval or disapproval of the entire settlement.

Mr. Ackerson approved the resolution but not the claims settlement.

Copy of the resolution is attached as Exhibit B (p. 3347).

On November 25, 1919, the Imperial Shipping Corporation, a subsidiary which had been formed by the Green Star Steamship Corporation for the purpose, purchased five ships from the United States Shipping Board, as follows:

Lancaster.....	\$2, 603, 475
West Cavanal.....	1, 883, 640
West Cawthorn.....	1, 881, 660
West Irmo.....	1, 926, 980
West Islay.....	1, 992, 140

Total purchase price..... 10, 217, 895

Soon after this, Mr. Levy was succeeded by Mr. Charles F. Patterson as chairman of the claims board, who did not recognize the validity of the purchase and sale of materials. There were further negotiations between Mr. Patterson and Mr. Cuthell.

On January 15, 1920, Mr. Patterson wrote to Mr. Cuthell that, after a conference with Mr. Gillen, he had in mind a proposal which he offered. This proposal, while more advantageous to the Fleet Corporation in other respects, involved the same terms as to the materials to be purchased at cost and sold at half-cost.

No settlement was made.

At that time there was no ratification by the board of trustees of the Levy purchase and sale, but the contractor proceeded to use the materials on the Nafra contract.

The Nafra Co. was affiliated with the Green Star Steamship Corporation, which, through this affiliation appears to have become the owner of the Nafra contract before February, 1920. By that date payments aggregating \$2,265,140.63 had been made to the shipbuilder.

On or about February, 1920, the Green Star Steamship Corporation became delinquent in its progress payments to the shipbuilder.

On February 12, 1920, the United States Shipping Board passed a resolution selling four vessels to the Green Star Steamship Corporation. These vessels had been sold to the Texas Co. on December 23, 1919, but by agreement with the Texas Co. the Green Star Co. was substituted as purchaser. Copy of the resolution of February 12 is attached as Exhibit C (p. 3348).

The vessels were:

Canibas.....	\$1, 837, 500
Maine.....	1, 837, 500
Sagadahoc.....	1, 837, 500
Woonsocket.....	1, 837, 500

Total purchase price..... 7, 350, 000

Five days later, on February 19, 1920, the Green Star Steamship Corporation borrowed \$500,000 from the Equitable Trust Co. to make payments to Standifer on the Nafra contract.

On April 5, 1920, the Green Star Corporation borrowed \$600,000 more from the Equitable Trust Co. for the same purpose.

By that time the Green Star Co. was in serious difficulties. It had a mortgage indebtedness on its fleet of \$25,550,921.25, not including mortgages on the vessels being constructed under the Nafra contract and owed to banks \$1,300,000.

On April 14, 1920, the Green Star Corporation wrote to the Shipping Board and appealed for assistance. (See Exhibit D, p. 3348.) In this letter the company requested:

1. That the Fleet Corporation defer the remaining payments on the nine ships purchased and make a new arrangement whereby the company would have to pay

nothing for the first two years except interest and that at the end of two years payments be resumed at the rate of $7\frac{1}{2}$ per cent per year.

2. That the Fleet Corporation take over the Nafra contract with Standifer at the contract price, repay the Equitable Trust Co. the \$1,100,000 of borrowed money and pay a balance due on construction amounting to \$4,554,859.32.

3. That the Green Star Co. would repurchase the five steamers at the same price. It appears from the record that this application was handled by Mr. Martin J. Gillen.

On April 16, 1920, Mr. Gillen appeared before the Shipping Board and recited the plight of the Green Star Corporation. He submitted a plan for extending the ship sales terms to 12 years.

Action was deferred until the following day. (See extract from minutes, Exhibit E. p. 3350.)

On that same day, April 16, 1920, Mr. Gillen received a letter from Mr. Cuthell, suggesting a settlement of the Standifer claims. (See Exhibit F, p. 3351.)

On April 17, 1920, Mr. Gillen again appeared before the Shipping Board on the Green Star matter. He suggested that the Standifer contracts be taken over by the Fleet Corporation, the ships to be delivered to the Fleet Corporation as fast as completed, and stated that he would have an appropriate resolution ready by Monday, April 19. (See Exhibit G, p. 3351.)

After that meeting Mr. Gillen, on April 17, 1920, wrote to the Green Star Steamship Corporation that the Shipping Board had decided to take over the Standifer contracts and take up the Equitable Trust loan of \$1,100,000. (See Exhibit H, p. 3352.)

Under date of April 20, 1920, the Green Star Steamship Corporation and the Nafra Co. contracted with the Shipping Board and the Fleet Corporation to have the Fleet Corporation take over the Nafra contracts with Standifer and to sell the ships back to the Green Star Corporation at cost to the Emergency Fleet Corporation. There were two contracts, one covering the sale of contracts, the other covering the repurchase of the ships by the Green Star Co.

Under one contract the Emergency Fleet Corporation assumed the following obligations:

1. To pay the unpaid balance of contract payments to the Standifer Corporation, amounting to.....	\$4,263,609.37
2. To repay the Equitable Trust Co. money borrowed by the Green Star, amounting to.....	1,350,000.00
3. To credit the Green Star Corporation with progress payments already made less amount repaid to Equitable Trust, the credit to be.....	2,265,140.63

Making up total contract price..... 7,878,750.00

The explanation of the increase of the Equitable loan from \$1,100,000 to \$1,350,000 lies in the fact that on that same day the Green Star Co. borrowed \$250,000 more.

On April 21, 1920, the Shipping Board adopted a resolution in accordance with the two contracts. (See Exhibit I, p. 3352.)

On April 25, 1920, there was an exchange of correspondence between Mr. Gillen and Mr. Cuthell with relation to the Standifer contracts. (See Exhibits J and K, p. 3353.)

It appears from correspondence between the Green Star Co. and Mr. Gillen that a new corporation was to be formed under the supervision of Mr. Gillen or the Shipping Board to operate the boats purchased from the Shipping Board. (See Exhibits L and M, p. 3354.)

Apparently, on July 13, 1920, the Green Star Corporation appealed to Mr. Gillen to have the treasurer's office suspend his attempts at collecting money due from the Green Star and its subsidiary, the Imperial Shipping Corporation, for on July 22, 1920, Mr. Gillen notified the Green Star Corporation that the treasurer of the Fleet Corporation had been instructed that payments already made by that company and its subsidiary would constitute full payment required to date.

At the same time Mr. Gillen wrote to Mr. R. W. Bolling, treasurer, and asked that he suspend further collection of the notes of the Green Star and its subsidiary. (See Exhibits N and O, p. 3355.)

The next action of importance was on July 26, 1920, when representatives of the Green Star Steamship Corporation appeared before the Shipping Board and explained that the Equitable Trust Co. had refused further credit and that the company had to meet urgent obligations of approximately \$1,100,000. They requested assistance from the Shipping Board.

Mr. Gillen suggested that the board should refund to the Green Star Co. the payments made by it on account of the purchase of the five vessels in the Standifer yard and that title to the vessels be reconveyed to the board, after which the board could assign these particular vessels to the Green Star Corporation for operation under the usual agreement.

The board then decided to cancel the contract of April 20, 1920, under which the Green Star Co. was to repurchase the five ships. (See Exhibit P, p. 3356.)

On the following day, July 27, 1920, Mr. Gillen presented a resolution carrying out the previous day's determination. This resolution released the Green Star Co. from the purchase agreement, provided for the refund of \$2,265,140.63, and assigned the five ships to the Green Star Co. under an agency agreement. This resolution was adopted. (See Exhibit Q, p. 3357.)

The \$2,265,140.63 was paid to the Green Star Corporation.

On the same day, July 27, 1920, the construction claims board adopted a resolution ratifying and confirming the Levy sale of materials to Standifer under the November 17, 1919, resolution.

On the same day, July 27, 1920, the construction claims board adopted a resolution to save embarrassment of the Standifer Corporation by resuming progress payments. The board of trustees concurred in this resolution on the same date. (See Exhibit R, p. 3358.)

On July 29, 1920, the Shipping Board adopted a resolution modifying the terms of payment on the four tankers originally sold to the Texas Co. and later sold to the Green Star Steamship Corporation. (See Exhibit S, p. 3359.)

On August 2, 1920, the executive committee of the board of trustees adopted a resolution ratifying and confirming the Levy action of November 17, 1919, purchasing materials at cost and selling to Standifer at half cost. (See Exhibit T, p. 3360.)

The district comptroller reports that the Fleet Corporation has made the following payments on the five vessels under the Nafra contract:

1. To Equitable Trust Co.	\$1, 350, 000. 00
2. To Green Star Steamship Corporation.	2, 265, 140. 63
3. To G. M. Standifer Construction Corporation, including \$319,868.79 for materials.	4, 475, 605. 07
Total payments.	<u>8, 090, 745. 70</u>

Also, that Standifer's earnings under contract were as follows:

1. Contract price.	7, 878, 750. 00
2. Increased tonnage.	71, 775. 00
3. Changes and extras.	140, 220. 70
Total earnings.	<u>8, 090, 745. 70</u>

From the foregoing it will be seen that Standifer has been paid in full, although he is still claiming \$64,254.96, covering legal expenses and interest on delayed progress payments. This claim has been referred to the Green Star Steamship Corporation for settlement with Standifer, as it is not regarded as a claim that concerns the Fleet Corporation.

Respectfully submitted.

TILDEN ADAMSON,
Assistant to the General Comptroller.

LIST OF EXHIBITS.

A. Memorandum from secretary of Shipping Board regarding negotiations conducted by Mr. Martin J. Gillin.

B. Resolution of cancellations, claims and contracts board, dated November 17, 1919.

C. Resolution of United States Shipping Board, dated February 12, 1920.

D. Copy of letter written by Green Star Steamship Corporation, dated April 14, 1920.

E. Extract from minutes of United States Shipping Board, dated April 16, 1920.

F. Copy of letter written by Mr. Chester W. Cuthell to Mr. Martin J. Gillen, dated April 16, 1920.

- G. Extract from minutes of United States Shipping Board, dated April 17, 1920.
- H. Copy of letter written by Mr. Gillen to Green Star Steamship Corporation, dated April 17, 1920.
- I. Copy of resolution adopted by United States Shipping Board, dated April 21, 1920.
- J. Copy of telegram sent by Mr. Cuthell to Mr. Gillen, dated April 26, 1920.
- K. Copy of letter written by Mr. Gillen to Mr. Cuthell, dated April 26, 1920.
- L. Copy of letter written by Green Star Steamship Corporation to Mr. Gillen, dated April 29, 1920.
- M. Copy of letter written by Mr. Gillen to Green Star Steamship Corporation, dated April 29, 1920.
- N. Copy of letter written to the Green Star Steamship Corporation by Mr. Gillen, dated July 22, 1920.
- O. Copy of letter written by Mr. Gillen to Mr. R. W. Bolling, treasurer, Emergency Fleet Corporation, dated July 22, 1920.
- P. Extract from minutes of meeting of United States Shipping Board, dated July 26, 1920.
- Q. Extract from minutes of meeting of United States Shipping Board, dated July 27, 1920.
- R. Copy of resolution of Shipping Board, dated July 27, 1920.
- S. Copy of resolution of Shipping Board, dated July 29, 1920.
- T. Copy of resolution of executive committee of board of trustees of United States Shipping Board, dated August 2, 1920.

EXHIBIT A.

UNITED STATES SHIPPING BOARD,
Washington, January 20, 1921.

Memorandum to Mr. Adamson, assistant to the general comptroller.

Replying to your memorandum of January 14, 1921, requesting information with reference to the negotiations between the Shipping Board and the Emergency Fleet Corporation with the Nafra Co. and the Green Star Steamship Corporation, which you desire for submission to the Walsh committee:

There are transmitted herewith certified copies of extracts from the minutes of meetings of the board of trustees of the Emergency Fleet Corporation and the United States Shipping Board concerning this matter, together with copies of such correspondence as can be located, in connection with the drafting of the various contracts concerning the transactions between the parties above mentioned. The correspondence was copied from letters contained in the files of the Shipping Board and in the files turned over to the filing department of the board by Mr. Gillen prior to his resignation. The negotiations in connection with the various contracts were conducted by Mr. Gillen personally as special assistant to the chairman of the Shipping Board, and the contracts in question were drafted by him with the assistance of Assistant Counsel John A. Beck and Lincoln R. Clark, neither of whom are now connected with the board.

JOHN J. FLAHERTY, *Secretary.*

EXHIBIT B.

ACTION TAKEN BY GENERAL CANCELLATIONS, CLAIMS, AND CONTRACTS BOARD, IN MEETING OF NOVEMBER 17, 1919—G. M. STANDIFER CONSTRUCTION CORPORATION CONTRACT NO. 156.

Chairman Levy then presented to the board for consideration one of the proposals in the settlement of the G. M. Standifer Construction Co., contract 156, and it was shown to the board that the Standifer Co. now has possession of material purchased for contract 156, which is of the kind, quality, and quantity for use on contract 503. This is estimated to have cost approximately \$841,354.95; and material purchased for contract 503 is estimated at approximately \$908,186.50, or a total of approximately \$1,749,541.54.

It is further proposed to sell the material to the Standifer Co. for 44 per cent of the cost price of the material, including inward handling charges, subject to an audit if the proposed settlement now being negotiated is approved by Commander Ackerson. On

the other hand, if the cancellation settlement is not approved by Commander Ackerson, the material mentioned is to be sold to the Standifer Co. at 50 per cent of the cost plus inward handling charges, subject to an audit.

It was shown that all of the material purchased by the Standifer Co. for the building of ships under contract 503 has been paid for by the contractor through impressed funds or paid for by the Emergency Fleet Corporation and charged to their account.

It is proposed further, in the cancellation adjustment, or in the event that one is not made when the sale of the material is concluded as proposed, the Emergency Fleet Corporation will in either event, credit the contractor with the cost of material plus inward handling charges and then dispose of the materials to the contractor on the basis outlined herein.

After a thorough discussion of Chairman Levy's proposal, the board was unanimously of the opinion that the proposed basis of the sale of material are the most advantageous that the Emergency Fleet Corporation could expect, and adopted the following resolution:

"Resolved, That the proposals made by Chairman Levy for the sale of materials in the G. M. Standifer Construction Co. adjustment be approved."

Approved, November 17, 1919.

J. L. ACKERSON, *Vice President.*

A true record of board action in meeting of November 17, 1919.

F. C. JOUBERT, *Assistant Secretary.*

Remarks: O. K. (E. D. Levy.)

EXHIBIT C.

UNITED STATES SHIPPING BOARD.

Whereas the United States Shipping Board, by virtue of an agreement dated December 23, 1919, agreed to sell to the Texas Co. four cargo vessels and four tankers, designated, respectively, *Maine*, *Woonsocket*, *Sagadahoc*, *Canibas*, *Dirigo*, *Shenandoah*, *Lightburne*, and *Aryon* for the lump purchase price of \$14,700,000 upon the payment of 25 per cent in cash and the balance according to the usual board terms; and

Whereas the Texas Co. now desires to dispose of its interest in the four cargo vessels, *Maine*, *Woonsocket*, *Shagadahoc*, and *Canibas*, to the Green Star Line and have the purchaser substituted in its stead in the mortgage agreement to be hereafter executed; and

Whereas there is no objection on the part of the board to such transfer of interest; now, therefore, be it

Resolved, That the board hereby consents to the substitution of the Green Star Line for the Texas Co. as the purchaser of said four cargo vessels.

I hereby certify that the foregoing is a true and correct copy of a resolution adopted by the United States Shipping Board at a meeting on February 12, 1920.

J. PIERSON JAMES,
Assistant Secretary.

EXHIBIT D.

APRIL 14, 1920.

Admiral WILLIAM S. BENSON,

Chairman United States Shipping Board, Washington, D. C.

GENTLEMEN: We desire to bring to your attention the difficulties which this company has experienced in financing its operations and respectfully request the assistance of your board in obtaining the credit to which we believe this company is entitled.

This company began operations in July, 1919. At that time it took over a going shipping business and five American steel cargo steamers with an aggregate dead-weight capacity of about 45,000 tons. Shortly thereafter the company acquired four additional steamers with an aggregate dead-weight capacity of 34,400 tons.

The company has a paid-in cash capital of \$10,000,000, which was ample for the above program without any additional working capital. Subsequently, however, in order to take advantage of the great opportunities which the company saw for the development of profitable trade routes under the American flag, it was deemed advisable to

acquire additional tonnage. Desiring to cooperate with the United States Shipping Board in its plans for the sale of its steamers to private companies, and being in full accord with its plans for the development of trade routes, this company purchased from the United States, through your board, five steamers of an aggregate dead-weight capacity of approximately 46,000 tons at a total cost to the company of \$10,217,895.

At about the same time this company entered into a contract to purchase from the United States, through the Texas Co. and your board, four additional steamers of an aggregate dead-weight capacity of approximately 39,000 tons at a total cost of \$7,350,000.

In addition to the above vessels, this company, in November, took over the contract with the G. M. Standifer Construction Corporation for the construction of five steel cargo steamers of an aggregate dead-weight capacity of approximately 48,000 tons at a cost of \$7,820,000, which contract had been canceled by the Fleet Corporation. At the time these contracts and purchases were made, we felt that it would be comparatively simple for this company to obtain the financial assistance which it required through the New York banks over and above its own substantial investment, to carry out the above program. As an evidence of this policy, we point to the fact that this company actually issued bonds on its original nine steamers in the aggregate sum of \$8,000,000, which bonds were underwritten by leading financial institutions in the city of New York and widely sold throughout the United States.

This company did not require financial assistance in connection with its operations, but only a reasonable loan on account of its capital investments. The earnings of the company have been extremely satisfactory and all of its earnings have been retained in the business; no dividends having been paid. The company has established agencies throughout the world and has very rapidly developed its foreign connections; a fact which we believe is familiar to the division of operations of the Fleet Corporation.

To recapitulate, the company now owns approximately 212,000 dead-weight tons, which cost upward of \$44,000,000. The company has a mortgage indebtedness on its entire fleet, excluding the five Standifer vessels, of \$25,550,921.25. In addition to its vessel property, the company has made other large investments with a view to furthering its shipping business, such as the stock of other steamship lines, dry-dock properties, etc. This company owes to banks on unsecured current obligations approximately \$1,300,000.

Since the company's program was mapped out last fall, the attitude of the New York banks seems to have completely changed and we have found it absolutely impossible to obtain any credit whatever on the five Standifer steamers, with the exception of short-term loans aggregating \$1,100,000, which have been obtained from the Equitable Trust Co., of New York against a mortgage on the first Standifer steamer, which is now ready for delivery. Our efforts to obtain a bond issue at the rate of \$100 per dead-weight ton have wholly failed, although such a bond issue had been tentatively arranged before we signed the contract, and it was largely on the strength of this arrangement that we purchased these steamers. One of the banks which we approached in this connection recently took the advice of a supposedly independent shipping expert, who advised that the value of new steel tonnage under the American flag was \$100 to \$110 per dead-weight ton. This advice has not only destroyed all hope of obtaining a long-term loan on the Standifer steamers, but has also seriously injured the credit of this company with bankers generally, as at such a low price the value of its vessels would be less than the obligations for which they stand as security.

Either as a result of foreign propaganda or through unfamiliarity with shipping conditions, American bankers have gained the impression that shipping values will depreciate very rapidly and that it is impossible for this company to meet its obligations in respect of the steamers purchased from your board, which are payable over a period of five years. It is no answer to this difficulty that the banks are mistaken, as we fully believe they are. The fact remains that neither our company nor any other American steamship company can sell shipping securities unless the Government modifies its terms of payment so as to permit such companies to present a financial program which banks consider sound. Under the terms of our purchases from your board we undertake to pay one-half of the purchase price of the steamers within one year and the remaining one-half within four years thereafter. Even under the most favorable conditions, this is a very heavy commitment, considering that a large part of the company's earnings must go to pay income taxes. In the case of the five steamers purchased directly from the United States through your board last November, however, the company's position is peculiarly unfortunate in view of the condition of the vessels when taken over by this company. Three of these steamers, which were purchased after they had commenced a voyage, have not yet completed their first voyage (although nearly five months have elapsed) owing to various defects

in the vessels and owing also to the fact that when purchased they were in the hands of agents appointed by your board and they have not yet been physically turned over to this company. Not only have these three steamers earned no profits whatever, but they actually show up to date a very heavy loss to this company. Accordingly, on the 25th of May, this company will be called upon to pay 12½ per cent of the purchase price of these steamers without having any earnings to meet this payment, and in addition the company will have to absorb several hundred thousand dollars loss.

The company is also in very serious difficulty in connection with the Standifer contract, on which it had actually paid \$3,365,140.63, and on which it must pay, within the next two months, an additional sum of \$4,554,859.32.

In view of the very substantial investment we have made in these steamers, we feel that we are justified in seeking the assistance of your board in financing the balance of the Standifer contract. Not only is this company one of the largest owners of American tonnage, but it is also one of the best customers of your board, both past and prospective. Our financial position is not unsound, but on account of banking conditions in this country we are not able to establish our company on a secure basis without sacrificing some of our property or obtaining some modification of our contracts with your board and some assistance in connection with the Standifer steamers.

Therefore, we respectfully request—

First. That you defer the remaining payments due in respect of the steamers *Lancaster*, *West Irmo*, *West Cavenal*, *West Cawthon*, *West Islay*, *Canibas*, *Maine*, *Woonsocket*, and *Saradahoc*, amounting to \$13,175,921.25, and make a new arrangement whereby we will pay nothing for the first two years, excepting 5 per cent interest on the above amount; and the said sum will be paid in 10 equal annual installments of 7½ per cent each, beginning at the end of such two-year period.

Second. As the Standifer contract was a Shipping Board contract, and the Shipping Board was primarily interested in the disposition of it, we request that your board take over our present contract with the Standifer Co. at \$165 per dead-weight ton, paying to the Standifer Co. the balance due for the construction of the steamers, amounting to \$4,544,859.32, and repaying to the Equitable Trust Co., of New York, the sum of \$1,100,000, which they have advanced against the first steamer. This would represent an investment on the part of your board of approximately \$120 per dead-weight ton. We will then repurchase the steamers through your board at the same price of \$165 per dead-weight ton, giving a mortgage for the amount of your investment as above stated. We ask that this mortgage be on the same terms and conditions as the mortgage described in the last preceding paragraph.

Third. In consideration of the foregoing arrangement, we will agree that all net profits in excess of 10 per cent earned during the first two years by the 14 vessels on which your board will hold mortgage shall be applied annually, at our option, either (a) in satisfaction of the last payments due under the said mortgages, or (b) in the purchase of vessels from the United States through your board.

Our financial commitments are so urgent that we respectfully urge an immediate decision from your board in this matter.

Very truly, yours,

GREEN STAR STEAMSHIP CORPORATION.

EXHIBIT E.

UNITED STATES SHIPPING BOARD.

Mr. Gillen, special assistant to the chairman, referred to a communication received from the Green Star Steamship Corporation, which corporation has purchased Shipping Board steamers. Mr. Gillen recited the financial condition of the corporation and the corporation's need of funds in order to meet pressing obligations. Mr. Gillen submitted for the consideration of the board a plan to extend the terms under which the vessels were purchased by this corporation from the board to a period of 12 years, the first two years no payment to be made, interest only to be received by the board on the deferred payments, all earnings in excess of 15 per cent to be applied on the deferred payments (mortgage). Commissioner Stevens suggested that it might be possible for the board to assist the Green Star Steamship Corporation by financing the contract which that corporation has with the Standifer Construction Corporation for the purchase of vessels at \$165 per ton in lieu of the adoption at this time of a plan which would be considered a policy and thereby establish a precedent.

After lengthy discussion, during which the chairman, Admiral Benson, stated that he would insist upon the adoption in the very near future of a definite sales policy by the board, it was decided to defer, until the meeting to be held to-morrow, action on the proposal as suggested by Mr. Gillen, the latter to confer with Commissioner Stevens in the meantime.

I hereby certify that the foregoing is a true and correct copy of an extract from the minutes of a meeting of the United States Shipping Board held on April 16, 1920.

J. PIERSON JAMES,
Assistant Secretary.

EXHIBIT F.

NEW YORK, April 16, 1920.

Mr. MARTIN GILLEN,
United States Shipping Board, Washington, D. C.

DEAR MR. GILLEN: Mr. White tells me that you have again given instructions to push the settlement of the Standifer matters.

At the present time, as I understand the situation, it is that the officials on the west coast will not act because they are waiting for an interpretation of a letter by the Washington officials, and the Washington officials say that they can not act because they are waiting for information from the west coast.

I know that you take the broad view of these things, and I know that you must appreciate the fact that American shipbuilding can not be continued, particularly by the efficient new yards, if their settlements are so terribly delayed as this one has been.

I have heard that the board has made a settlement of the Northwest Steel claims by giving that company a contract for tankers which are to be sold when finished to the France-Canada Co.

Are you willing to consider a similar suggestion in reference to the Standifer yard? If you are, I will make every effort to secure a purchaser and arrange the finances, but if you are not interested, I wish you would say so very frankly, because the amount of time and energy required to work out a detail of this sort is very great.

Very truly yours,

CHESTER W. CUTHELL.

EXHIBIT G.

UNITED STATES SHIPPING BOARD.

Mr. Gillen referred to the discussion at yesterday's meeting with regard to the Green Star Steamship Corporation's application for change in the terms under which the vessels were purchased by said corporation. He stated that he had had a conference with Mr. Eugene Myers on this matter, as a result of which they concluded to recommend that the terms of payment be 10 per cent cash, 5 per cent in 6, 12, and 18 months, making 30 per cent in the first two years, the remaining 70 per cent to be paid in 10 years, but that until 50 per cent shall have been paid, all profits over 15 per cent shall be applied to payments. He suggested that the Standifer contracts be taken over by the Fleet Corporation in their present condition, payments to be continued by the Fleet Corporation and delivery of the ships to be made to the Green Star Steamship Corporation as fast as they are completed, payments to be made on the new terms to be arranged by the Shipping Board, and stated that he would have prepared an appropriate resolution for adoption by the board on Monday, April 19. Mr. Gillen stated that Mr. Myers suggested that all other outstanding contracts of the Fleet Corporation, amounting to possibly \$30,000,000, be rearranged on terms similar to the foregoing, in order to establish a standard policy in assisting the American merchant marine.

I hereby certify that the foregoing is a true and correct copy of an extract from the minutes of a meeting of the United States Shipping Board on April 17, 1920.

J. PIERSON JAMES, *Assistant Secretary.*

EXHIBIT H.

UNITED STATES SHIPPING BOARD,
Washington, April 17, 1920.

GREEN STAR STEAMSHIP CORPORATION,
New York City, N. Y.

(Attention Mr. Mercadante, president.)

GENTLEMEN: At a full meeting of the Shipping Board this morning, and after a conference with Mr. Eugene Myer, jr., it has been decided to take over the Standifer contracts from you, make all further payments to Standifer, and take up the Equitable Trust note of \$1,100,000. It was also agreed at the same session that we will allow the payments by you to Standifer to be spread over the five boats as an initial payment, and that we will then give to you on the balance, as well as on the mortgage payments due to us from you on the other nine boats that you own, the same terms that we will give to all other purchasers of Shipping Board boats. I have given you in confidence an outline of what those terms are, and you will pardon me if I do not at this time put them in writing, but you may state confidentially to your bankers what you have heard. It is my judgment that there will be no delay in arriving at this new financial policy, which, in the judgment of the board as well as in the judgment of the advisory business men who met in conference last Thursday, this new plan will (a) relieve the American banks at this time from any extreme financing in ship purchases; (b) stabilize marine securities for all time; (c) at the same time educate the American investor, slowly but surely, to the value of marine securities, so that the future buyers of ships from shipbuilders may put out long-time securities on ships and thus stimulate the shipbuilding industry in America.

I trust that you will have your contracts here on Monday, so that the proper assignment may be made, and that we may take over our liabilities immediately on the Standifer contract and with the Equitable Trust.

Very truly, yours,

M. J. GILLEN,
Assistant to the Chairman.

EXHIBIT I.

UNITED STATES SHIPPING BOARD.

Whereas the Green Star Steamship Corporation and its subsidiary and affiliated companies have made application to the board to refinance certain of their ship purchases heretofore made from the board, the Texas Co., and the G. M. Standifer Construction Corporation; and

Whereas it appears that the said companies have heretofore paid in excess of 25 per cent of the purchase price of the following 14 vessels: *Lancaster, West Cawthon, West Cavanal, West Islay, West Irmo, Maine, Canibas, Sagadahoc, Woonsocket, Arcturus, Aquarius, Argus, Antinous, Apus*; and

Whereas it appears that the last five-mentioned vessels, otherwise designed as hulls Nos. 11 to 15, inclusive, are being constructed by the G. M. Standifer Construction Corporation for account of the Green Star Steamship Corporation; and

Whereas the Green Star Steamship Corporation, or its predecessor in title, the Nafrá Co., has paid on account of the purchase price of said five vessels the sum of \$3,615,140.63, leaving an unpaid balance under the contract of \$4,263,609.37; and

Whereas the Green Star Steamship Corporation has requested the Fleet Corporation to purchase the said contract for the construction of said five hulls and to pay to said G. M. Standifer Construction Corporation the estimated unpaid balance under said contract of \$4,263,609.37 and to pay to the Equitable Trust Co. of New York the sum of \$1,350,000 heretofore loaned by said trust company to said Green Star Steamship Corporation and by the latter applied on account of construction cost of said hulls; and

Whereas the Fleet Corporation is willing to purchase said construction contract from said Green Star Steamship Corporation and to pay said sum of \$4,263,609.37, the estimated balance due under said contract, as well as to pay to the Equitable Trust Co. of New York the said sum of \$1,350,000 in liquidation of loans heretofore made by said trust company to said Green Star Steamship Corporation as aforesaid, provided the said Green Star Steamship Corporation undertakes, by agreement, to repurchase said five vessels and to repay the said unpaid balance of the purchase price due the G. M. Standifer Construction Corporation, plus any additional cost incurred by the Fleet Corporation in completing the same: Now, therefore, be it

Resolved, That the chairman be, and he hereby is, authorized to make and execute the necessary preliminary and final contracts and mortgages to effectually carry out the foregoing objects.

I hereby certify that the foregoing is a true and correct copy of a resolution adopted by the United States Shipping Board at a meeting on April 21, 1920.

J. PIERSON JAMES,
Assistant Secretary.

EXHIBIT J.

[Telegram.]

APRIL 26, 1920.

Mr. MARTIN J. GILLEN,
United States Shipping Board, Washington, D. C.

In accordance with your request over the telephone I propose to send Standifer the following telegram to-day if you will wire me that it expresses our understanding:

"Gillen objects to your insistence on Nafra Co. progress payment scheme notwithstanding one million and a half present default. He will make all necessary arrangements to keep Nafra contracts payments absolutely separate from all others either wood or steel and will pay you full Nafra contract price without deduction at time of completion last ship. He will direct claims boards and Woolley to make prompt settlements on broad and fair lines of all outstanding matters. He states that if you do not agree to his suggestion he will recommend commandeering of your yards and throwing your settlements into the courts. This is a very severe threat. My experience with Gillen in other transactions is that while he is severe he is square and I believe he intends to clear your entire situation up in the very near future. Therefore if conditions above stated are met I advise you to accept the imprest fund scheme."

The claims situation is not good. Jones reports to me that Woolley will make no recommendation at this time whatever and has ordered additional inquiries to be made which will take over three months.

C. W. CUTHELL.

EXHIBIT K.

APRIL 26, 1920.

KELLOGG, CUTHELL & EMORY,
52 Broadway, New York City.
(Attention C. W. Cuthell, re Standifer contract.)

DEAR SIR: Your telegram of the 26th instant at hand and contents noted. In reply permit me to state that the Standifer Corporation failing to furnish sufficient funds to the Green Star Line for a portion of the contract put them in financial distress and allowed themselves to get in the same position. We took over the five contracts and will recognize those five contracts but will protect ourselves as to the materials taken from our account and put into those contracts and will not pay the Standifer Corporation the full contract price but will deduct from that contract the amount of materials they have taken from the yards. We will make progress payments through an imprest fund for labor and additional material to go into those ships and as soon as the material account with us is settled we will deduct that amount and pay them the balance on the contract.

Mr. Standifer threatens to prevent us carrying out that contract and further involve the Green Star Line. In this regard we point out to you that we have the power to enforce that contract for our account under the existing law by commandeering. We further point out to you that Mr. Standifer has a settlement pending before us. We will give him the same fair treatment that every other claimant receives and we will not make any promises as to the kind of a settlement he gets for neither the Standifer Corporation or ourselves are in a trading position. What is just and right he will receive and as promptly as it is possible.

We hardly believe that the Standifer Corporation is in a position to threaten us at this time after the unusual fair treatment his corporation has received in large and profitable orders and unusually large profit from the standpoint of the money invested. You, of course, can send him such a telegram couched in such language as you determine wise but, of course, I can not permit you to bind me by form, language, or interpretation and thus make a record against the Fleet.

Very truly, yours,

MARTIN J. GILLEN,
Assistant to the Chairman.

EXHIBIT L.

NEW YORK, April 29, 1920.

Hon. MARTIN J. GILLEN,
United States Shipping Board,
Washington, D. C.

DEAR SIR: With regard to the 14 vessels purchased by this company from you board, their transfer to a new corporation to be formed under your supervision and in connection with the mortgage to be given to secure the unpaid balance of the purchase price we submit for your consideration the following:

The Green Star Steamship Corporation owes in notes \$3,499,000, which is made up as follows:

Bankers Trust Co.	\$1,000,000
Banca Italiana di Sconto.	618,000
Credito Italiano.	618,000
The Nafra Co. (Inc.)	1,263,000

Making a total of..... 3,499,000

This amount the company has utilized in the acquisition of vessel property and had expected to repay these amount to the above companies out of the earnings of the vessel property of the company.

Owing to the fact that you board proposes that the 14 Shippin Board vessels purchased by this company shall be transferred to a new corporation to be formed under your supervision, the Green Star Steamship Corporation will not have the earnings of these vessels to apply in this matter unless the equity of the Green Star Steamship Corporation in the 14 vessels can be paid for by the new corporation in cash to the extent of \$3,499,000.

We respectfully suggest therefore that you permit the new corporation to pay to the Green Star Steamship Corporation out of the earnings of these vessels from time to time a sum sufficient to discharge the above obligation. It is estimated that the earnings of the 14 vessels for the next two years should amount approximately to \$10,000,000 excluding taxes, which amount will be far in excess of the sum necessary to meet the payment of the obligation above set forth, the interest charges on the proposed new mortgage and the taxes.

The purchase price of the 14 vessels purchased from the Shipping Board amounts to \$25,446,645, of which the Green Star Steamship Corporation has paid to your board by way of cash and credit \$6,073,720, or approximately 25 per cent.

Respectfully, yours,

GREEN STAR STEAMSHIP CORPORATION.
 J. MERCADANTE, *President.*

EXHIBIT M.

APRIL 29, 1920.

GREEN STAR STEAMSHIP CORPORATION,
 115 Broadway, New York City.

DEAR SIR: When the new corporation is organized under our direction by you to handle the Shipping Board boats which you have purchased from us, we will expect that you will handle that corporation as your own. Its assets, of course, will belong to you subject to our rights, and you will be permitted to handle these assets as a prudent business man would handle them to take care of his own business.

We will expect that you will do no business with that corporation except business in reference to these boats, that you will keep your receipts in separate accounts and cash in a separate bank account, that you will make all loans for the operation of these boats through that corporation, thus keeping the assets and liabilities of these boats and their operations separate. It is our intention to endeavor to create a merchant marine, and in doing so we will expect our customers to use good business judgment in conducting their business and we do not intend to endeavor to regulate their business transactions by way of personal supervision thereof.

We note that you owe \$3,499,000 on notes, the proceeds from which you have invested in ships purchased from us. In regard to this matter, we will expect that you will use the net results from the operation of our ships during the first year and eight months to apply on these notes, for this will then place you in the same position that we are placing other purchasers of ships, since, assuming that you have paid to

us to date 25 per cent, under our new terms we expect to have a payment of 10 per cent cash, 5 per cent every six months for at least two years. Since you have made the payments that would fall due for 18 months, we in fairness to you, because of the money situation, will permit you to take care of the above amount, expecting, of course, that you will take care of the interest on the deferred payments due to us.

We beg to remain,

Very truly, yours,

MARTIN J. GILLEN,
Assistant to the Chairman

EXHIBIT N.

UNITED STATES SHIPPING BOARD,
Washington, July 22, 1920.

GREEN STAR STEAMSHIP CORPORATION,
115 Broadway, New York City.

GENTLEMEN: In reply to your letter of the 13th instant, I beg to advise that the treasurer of the Fleet Corporation has been instructed that the payments heretofore made by you and your subsidiary, the Imperial Shipping Corporation, aggregating \$6,089,784.09, or an equivalent of 23.8 per cent of the purchase price of the 14 vessels purchased shall constitute full payment required to be made to date. No further payments will be required until those provided for in the new mortgage covering these vessels. It is understood that the payments under said mortgage will begin approximately 18 months after the date thereof.

Very truly, yours,

M. J. GILLEN, *Trustee.*

EXHIBIT O.

UNITED STATES SHIPPING BOARD,
Washington, July 22, 1920.

From: M. J. Gillen.

To: R. W. Bolling.

Subject: Adjustment of Green Star accounts.

You will observe from the annexed statement that the Green Star Corporation and its subsidiary, the Imperial Shipping Corporation, have paid on account of the purchase price of the vessels indicated in cash and credits the sum of \$6,089,784.09, or 23.8 per cent of the entire purchase price. Under the resolution of the board, dated April 17, 1920, it was agreed that the Green Star Corporation should execute a mortgage providing for payments to begin approximately 18 months thereafter, which would place them upon substantially the same basis as all other purchasers under the new proposed ship sales plan.

When the mortgage is executed, new notes will be issued supplanting those in the hands of your collection department. Will you kindly advise that department, therefore, to suspend further collection of the notes in their possession and upon the execution of the mortgage and the issuance of the new notes thereunder to cancel the current notes.

M. J. GILLEN, *Trustee.*

Vessels purchased by Green Star Steamship Corporation and its subsidiary, Imperial Shipping Corporation, from United States Shipping Board.

Name of vessel.	Date received.	Initial cash payment.	Credit.	Balance due on notes and mortgage.	Total contract price.
Subdivision (1):					
Lancaster.....	Nov. 25, 1919	\$331,069.09	\$319,779.66	\$1,952,606.25	\$2,603,475.00
West Cavanal.....	Nov. 11, 1919	257,710.23	213,199.77	1,412,730.00	1,883,640.00
West Cawthon.....	Nov. 3, 1919	257,215.23	213,199.77	1,411,245.00	1,881,660.00
West Irmo.....	Nov. 25, 1919	268,545.23	213,199.77	1,445,235.00	1,926,980.00
West Islay.....	Nov. 13, 1919	267,335.22	213,199.78	1,441,605.00	1,922,140.00
Total.....		1,381,875.00	1,172,578.75	7,663,421.25	10,217,895.00
Subdivision (2):					
Canibas.....	Mar. 24, 1920	459,375.00	113,852.94	1,264,272.06	1,837,500.00
Maine.....	Apr. 4, 1920	214,596.33	127,217.56	1,495,698.11	1,837,500.00
Sagadahoc.....	May 6, 1920		172,444.08	1,665,055.92	1,837,500.00
Woonsocket.....	May 20, 1920		182,603.80	1,654,796.20	1,837,500.00
Total.....		673,971.33	596,218.38	6,079,810.29	7,350,000.00
Subdivision (3):					
Arcturus.....	Apr. 29, 1920				
Aquarius.....	May 21, 1920				
Argus.....	July 16, 1920				
Apus ¹					
Antinous ¹					
Total.....		2,265,140.63		5,613,609.37	7,878,750.00
Grand total.....		4,320,986.96	1,768,797.13	19,356,840.91	25,446,645.00
Initial cash payments.....			4,320,986.96		
			6,089,784.09		

¹ To be delivered August, 1920.

Total cost.....	\$25,446,645.00
Initial payment, cash and credit (23.8 plus per cent).....	6,089,784.09

Balance due on mortgage.....	19,356,840.91
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(1) Vessels included under subdivision (1) were purchased from the board on Nov. 25, 1919, by Imperial Shipping Corporation, a subsidiary of Green Star Steamship Corporation, formed for that purpose. At the time of purchase 3 of these vessels had begun their voyages, so that they were taken as of the date of beginning of voyage as indicated under date received.

The mortgages and notes executed on Nov. 25, 1919, bear interest at 5 per cent, payable semiannually May and Nov. 25.

(2) Vessels included under subdivision (2) were purchased by Green Star Steamship Corporation through the Texas Co., that company and the Shipping Board agreeing to the substitution of Green Star Steamship Corporation in place of Texas Co. in contract of purchase from the Shipping Board. Only one set of notes and mortgage covering the steamship Canibas has been executed by Green Star as Shipping Board permittee, delivery of other vessels to be made on understanding that these vessels were to be included in new mortgage covering the 14 vessels purchased from the board, when ship sales policy finally adopted.

(3) Vessels included under subdivision (3) were purchased by Green Star Steamship Corporation from the board under contract dated Apr. 20, 1920. These vessels were then in course of construction by Standifer Construction Corporation at Portland, Oreg. Since the execution of contract these vessels have been delivered to Green Star. The remaining 2 will be delivered in August. The purchase price and amount of mortgage is only tentative, as the vessels may be of greater tonnage than 9,600 deadweight each, in which event the board will probably pay Standifer Corporation such increased purchase price based on \$165 per deadweight ton of each of said vessels and Green Star Corporation will then owe the board such excess on mortgage.

GREEN STAR STEAMSHIP CORPORATION.

EXHIBIT P.

UNITED STATES SHIPPING BOARD.

Mr. Robert McGregor and Mr. Charles F. Quantrell, of the Green Star Steamship Corporation, appeared before the board in connection with the financial condition of that company. Mr. McGregor stated that the Green Star Steamship Corporation had to meet urgent obligations during the month of July to the extent of approximately \$1,000,000, and that, as the Equitable Trust Co., of New York City, with whom this company had been conducting its business, had refused further extension of credit, due to the present uncertain conditions in the shipping business, it was found necessary to present the matter to the Shipping Board with a request that, if possible, some assistance be rendered.

Mr. McGregor explained that his company was operating 24 vessels, that no further payments were due on the vessels purchased from the board until April 1, 1921. He filed with the board a copy of a consolidated balance sheet of the Green Star Line as of June 1, 1920, which included all subsidiary companies, except Struthers & Dixon (Inc.).

Mr. McGregor called attention to the fact that the statement showed a surplus of \$3,938,205.80, and informed the board that the earnings of the Green Star Line, which in his opinion were very satisfactory, had been absorbed in the payments of installments of the vessels purchased from the board, as well as in the creation of a sinking fund for the retirement of the bonds outstanding within five years. He stated that, due to lack of sufficient operating capital, it had been necessary for the corporation to pledge freight revenues in order to meet voyage expenses, and that as the banks had refused to make further advances upon this basis, the company was placed in its present difficult situation.

Mr. McGregor and Mr. Quantrell withdrew from the meeting at this point.

It was considered very important that this company be assisted in its present difficulties if possible, as the bankruptcy of an organization of its size would have a dangerous effect upon the entire shipping business.

Mr. Gillen suggested that the board should refund to the Green Star Steamship Corporation the payments made by it on account of the purchase of the five vessels under construction by the Standifer Construction Corporation, and that the title to said vessels be reconveyed to the board, after which the board could assign these particular vessels to the Green Star Steamship Corporation for operation under the usual agreement for Shipping Board account. Upon Mr. McGregor's being informed of this possible procedure he stated that it would be agreeable to him.

Thereupon, after consideration, on motion of Commissioner Donald, duly seconded and carried, the board directed Assistant Counsel Nottingham to prepare an appropriate resolution for adoption by the board, to carry out the above understanding, and canceling the agreement dated April 20, 1920, of the Green Star Steamship Corporation to repurchase from the Shipping Board hulls Nos. 11 to 15, inclusive, to be constructed by the G. M. Standifer Construction Corporation.

I hereby certify that the foregoing is a true and correct copy of an extract from the minutes of a meeting of the United States Shipping Board on July 26, 1920.

J. P. JAMES,
Assistant Secretary.

EXHIBIT Q.

UNITED STATES SHIPPING BOARD.

Mr. Gillen presented a proposed resolution stating that on April 20, 1920, the Shipping Board and the Fleet Corporation entered into a contract with the Green Star Steamship Corporation and the Nafra Co. (Inc.), to purchase from the Green Star Steamship Corporation hulls Nos. 11 to 15, inclusive, to be constructed by the G. M. Standifer Construction Corporation; that the Green Star Steamship Corporation had paid on account of the purchase of these vessels \$3,615,140.63, and under this contract the Shipping Board had paid on account of the purchase of these vessels \$1,350,000; that under this contract the Green Star Steamship Corporation also agreed to repurchase these vessels from the Shipping Board and to have applied on the purchase price the difference between the above-mentioned two amounts, namely, \$2,265,140.63 which repurchase agreement the Green Star Steamship Corporation now desires canceled and desires the latter amount refunded to it. The resolution states that it is to the advantage of the Shipping Board and the Fleet Corporation to cancel the above-mentioned contract of April 20, 1920, and to take complete title to these vessels to be constructed at \$165 per dead-weight ton, refunding the above-mentioned \$2,265,140.63 to the Green Star Steamship Corporation.

Assistant Counsel Nottingham stated that there were no liens against these vessels, and that the Government's title thereto was secure. Mr. Gillen explained that the adoption of this resolution would result in the Fleet Corporation's acquiring these vessel at a total cost of \$165 per dead-weight ton.

After a discussion, on motion of Commissioner Donald, seconded and duly carried, the above-mentioned resolution was adopted, namely:

Whereas the United States Shipping Board Emergency Fleet Corporation and the United States Shipping Board entered into a contract under date of April 20, 1920, with the Green Star Steamship Corporation and the Nafra Co. (Inc.), under and by

the terms of which the Fleet Corporation purchased from the Green Star Steamship Corporation and its predecessor hulls Nos. 11 to 15, inclusive, constructed or to be constructed by the G. M. Standifer Construction Corporation, of Seattle, Wash.; and

Whereas the Green Star Steamship Corporation or its predecessor in title, the Nafra Co. (Inc.) had paid on account of the purchase price of said vessels the sum of \$3,615,140.63; and

Whereas the board in and by the terms of said contract agreed and did pay over for the account of the Green Star Steamship Corporation to the Equitable Trust Co. of New York the sum of \$1,350,000, leaving a net credit on account of the purchase price of said vessels in the sum of \$2,265,140.63; and

Whereas simultaneously with the execution of said contract the Green Star Steamship Corporation entered into an agreement to repurchase said vessels from the Shipping Board and to have applied on the purchase price thereof said credit of \$2,265,140.63; and

Whereas the Green Star Steamship Corporation now desires to have the agreement to repurchase canceled and the said credit of \$2,265,140.63 refunded to it; and

Whereas it is advantageous to the United States Shipping Board and Emergency Fleet Corporation and the United States Shipping Board to cancel the aforesaid contract of the Nafra Co. (Inc.) and its successor in interest, the Green Star Steamship Corporation, entered into April 20, 1920, with the United States Shipping Board Emergency Fleet Corporation and the United States Shipping Board and to take over the full and complete title to said vessels to be constructed by the G. M. Standifer Construction Corporation at the rate of \$165 per dead-weight ton, and to refund to the Green Star Steamship Corporation payments heretofore made by it to the G. M. Standifer Construction Corporation, namely, \$2,265,140.63: Now, therefore, be it

Resolved, That the said contract of April 20, 1920, be modified to carry out such cancellation and that the repurchase contract of like date be canceled and that a new and supplemental agreement be executed completing full and absolute title to said vessels to the United States of America represented by either the Shipping Board or the Fleet Corporation: Be it further

Resolved, That the hulls Nos. 11 to 15, inclusive, now known as *Arcturus*, *Aquarius*, *Argus*, *Antinous*, and *Apus* are hereby assigned to the Green Star Steamship Corporation for management and operation under and pursuant to the terms of the present agency agreement for the management and operation of steel cargo vessels, the said agency agreement to be effective from the date of delivery of each of the above named vessels by the G. M. Standifer Construction Corporation to or for the account of the Green Star Steamship Corporation: Be it further

Resolved, That the Green Star Steamship Corporation be required to account to the board for all revenues, heretofore collected on account of the operation of said vessels from said respective dates of delivery, and to hereafter account pursuant to the requirements of said managing and agency agreement.

I hereby certify that the foregoing is a true and correct copy of an extract from the minutes of a meeting of the United States Shipping Board on July 27, 1920.

J. P. JAMES,
Assistant Secretary.

EXHIBIT R.

RESOLUTION PROVIDING AMENDED RESOLUTION TO BE SUBSTITUTED FOR PRIOR RESOLUTION OF THIS DATE RELATIVE TO G. M. STANDIFER CONSTRUCTION CORPORATION.

JULY 27, 1920.

Memorandum for construction claims board.

Referring to my memorandum dated July 28, quoting resolution adopted by the board of trustees of the Emergency Fleet Corporation on July 27, relative to the G. M. Standifer Construction Corporation, please substitute the following amended resolution, the amendment (in first paragraph) having been decided upon by the board at a meeting on July 27:

Resolved, That the following resolution adopted by the construction claims board on July 27, 1920, be, and it is hereby, concurred in and approved, provided the G. M.

Standifer Construction Corporation unequivocally accepts in writing the assignment to the United States Shipping Board and the United States Shipping Board Emergency Fleet Corporation of the interests of the Nafra Co. (Inc.), and its successor in interest, the Green Star Steamship Corporation, acquired under contract entered into on April 20, 1920, by said companies with the United States Shipping Board and the United States Shipping Board Emergency Fleet Corporation:

Whereas Guy M. Standifer, president of the G. M. Standifer Construction Corporation, appeared before the construction claims board and requested that the progress payments heretofore withheld on the Nafra contract, be reinstated; and

Whereas it appears to the construction claims board from an examination of the files and information obtainable and from advices received from the district officers, that upon the final settlement of all the wood and steel contracts, other than the Nafra contract, the G. M. Standifer Construction Corporation will not be indebted to the Fleet Corporation; and

Whereas it is further shown that the withholding of progress payments on the Nafra contract is greatly inconveniencing and embarrassing the G. M. Standifer Construction Corporation and hindering the progress of said corporation in the construction of the ships under the Nafra contract: Therefore be it

Resolved, That the board hereby authorizes reinstatement of construction progress payments mentioned in the Nafra contract and payment and compensation to the G. M. Standifer Construction Corporation in accordance with the terms of said Nafra contract.

JOHN J. FLAHERTY, *Secretary*.

(Copy to Messrs. Tweedale, Adamson, McKeon, McLaughlin, Judge, Fielding, Richmond, Anderson, Newbold, Tirrell, and New.)

EXHIBIT S.

RESOLUTION MODIFYING TERMS OF PAYMENT OF CONTRACT OF DECEMBER 23, 1919, AND IN RESOLUTION OF FEBRUARY 12, 1920, RELATIVE TO TEXAS CO., AND THE GREEN STAR STEAMSHIP CORPORATION—IN RE FOUR VESSELS AND FOUR TANKERS.

JULY 29, 1920.

At a meeting of the Shipping Board on July 29, 1920, the following resolution was adopted:

Whereas, the board by virtue of an agreement dated December 23, 1919, agreed to sell to the Texas Co. four cargo vessels and four tankers, designated respectively *Maine*, *Woonsocket*, *Sagadahoc*, *Canibas*, *Dirigo*, *Shenandoah*, *Lightburne*, and *Aryon*, for the lump sum purchase price of \$14,700,000 upon the payment of 25 per cent thereof in cash and the balance according to the usual board terms, and

Whereas, the board by resolution dated February 12, 1920, authorized the substitution of the Green Star Steamship Corporation for the Texas Co. in so far as it concerned the cargo vessels *Maine*, *Woonsocket*, *Sagadahoc*, and *Canibas*, and

Whereas, the Texas Co., in view of the proposed 10 per cent purchase plan now under consideration by the board, has requested an extension of the time of payment for said four tankers so that the deferred payments will be spread over a period of seven and one-half years: be it

Resolved, That the board hereby modifies the contract of December 23, 1919, in so far as the terms of payment are concerned, and be it further

Resolved, That the payment of the balance of 75 per cent of the purchase price shall be spread over a period of seven and one-half years, payable in seven annual installments of 10 per cent of the purchase price, the first installment to be due and payable one year after the date of delivery of said vessels, and one installment of 5 per cent to be due and payable six months after the maturity of the seventh annual payment, and further

Resolved, That the law division prepare the necessary documents to carry this resolution into effect.

(Copy to Messrs. Tweedale, Adamson, McKeon, McLaughlin, Judge, Fielding, Richmond, Anderson, Newbold, Tirrell, New, Miggins.)

EXHIBIT T.

UNITED STATES SHIPPING BOARD EMERGENCY FLEET CORPORATION,
Washington, August 2, 1920.

Memorandum for Construction Claims Board.

At a meeting of the executive committee of the board of trustees of the Emergency Fleet Corporation on August 2, 1920, the following resolution was adopted:

Whereas contract 503SC, held by the Standifer Construction Corporation was canceled in its entirety after materials costing approximately \$908,186.50 had been purchased by the contractor for use on said contract; and

Whereas at the time of the cancellation the contractor had certain surplus material not needed for contract 156, which contract has been completely performed and which materials were of the kind, quality, and quantity for use on contract 503 and were estimated to have cost approximately \$841,354.95; and

Whereas in November, 1919, E. D. Levy, chairman of the general cancellations, claims, and contracts board, was negotiating a settlement with the contractor on account of the cancellation of 503 and the sale of all materials above mentioned to the contractor; and

Whereas the general cancellations, claims, and contracts board, on the 17th day of November, 1919, adopted a resolution authorizing the sale of said materials to the contractor on the following terms and conditions:

First. That if the recommendation for the final settlement of 503, proposed by Mr. Levy, was approved by Commander Ackerson, vice president of the corporation, the materials were to be sold to the contractor for 44 per cent of the cost price of the material, including handling charges, subject to audit.

Second. If the cancellation on settlement was not approved by Commander Ackerson, vice president, the material mentioned was to be sold to the Standifer Corporation at 50 per cent of the cost, plus inward handling charges, subject to audit.

Whereas Commander Ackerson, vice president, did not approve the proposed cancellation settlement on contract 503, proposed by Mr. Levy, but did on November 17, 1919, approve the resolution of the general cancellations, claims, and contracts board concerning the sale of materials, and

Whereas a copy of said resolution, dated November 17, 1919, with the approval of Commander Ackerson, vice president, indorsed thereon, was delivered to Mr. C. W. Cuthell, attorney for the Standifer Construction Corporation, and the Standifer Construction Corporation, by virtue and authority of said resolution, continued in the possession of said materials and have used a great portion thereof on other contracts; and

Whereas the Finance Division is uncertain as to the status of said material and desires information as to what entries shall be made upon the books of the corporation concerning said material: Therefore be it

Resolved, That the action of the general cancellations, claims, and contracts board on November 17, 1919, authorizing the sale of said materials to the Standifer Corporation at 50 per cent of the cost thereof, plus inward handling charges, subject to audit, be and the same hereby is ratified and confirmed; and be it further

Resolved, That the Finance Division be directed to make the proper entries on the books of the corporation to carry out the intention of this resolution.

J. P. JAMES,
Assistant Secretary.

(Copy to Messrs. Tweedale, Bolling, and Miller.)

MR. STEELE. Now, then, you have been interrogated also with reference to the Terry case. I understand that a settlement was made by Judge Payne himself. Am I right in that?

MR. ADAMSON. He did not execute the final agreement, that is, the contract, but he laid down the basis for the settlement.

MR. STEELE. Yes.

MR. ADAMSON. In a memorandum of February 10, 1920, he laid down the basis for the settlement. That was incorporated in the contract which I believe had not been executed at the time Admiral

Benson assumed office. I think that Admiral Benson was not entirely satisfied with the terms of this contract, and that he made a change eliminating \$125,000 of payment to the Terry Co. before he executed the contract.

Mr. STEELE. Afterwards, it was reopened, and a reduction made to the amount of—

Mr. ADAMSON (interposing). A further reduction made on reopening.

Mr. STEELE (continuing). Of \$225,000?

Mr. ADAMSON. Yes, sir.

Mr. STEELE. You referred to the Hog Island settlement. When was that made?

Mr. ADAMSON. That is so vague in my mind, Mr. Steele, that I would not like to say just when it was made.

Mr. STEELE. The Hog Island contract was a cost-plus contract, was it not?

Mr. ADAMSON. The Hog Island contract was an agency contract, you might regard it—it was not a cost-plus contract in the ordinary sense. We were to pay cost and to give them certain fees.

Mr. STEELE. It was a cost plus, profit sharing, and sliding fees?

Mr. ADAMSON. Yes, sir.

Mr. STEELE. That was the largest contract the Emergency Fleet Corporation made, was it not?

Mr. ADAMSON. The aggregate of their contracts, I believe, exceeded all others, that is in number of ships, which was about, I think, 180 ships, as compared with 176 ships with the American Shipbuilding Corporation.

Mr. STEELE. There is a difference between the American Shipbuilding Corporation and the American International?

Mr. ADAMSON. Yes, sir. Of course, the American Shipbuilding built more ships than the American International, because they had no cancellations.

Mr. STEELE. But the American International is the Hog Island contractor.

Mr. ADAMSON. Yes, sir.

Mr. STEELE. The settlement of that contract was made by whom?

Mr. ADAMSON. I believe that it was negotiated when Judge Payne was in office; I can not be absolutely sure; I had nothing to do with the settlement.

Mr. STEELE. You had nothing to do with the settlement of it at all?

Mr. ADAMSON. No, sir.

Mr. STEELE. That was outside of your claims board?

Mr. ADAMSON. Yes, sir.

Mr. STEELE. It was not considered by them at all, then?

Mr. ADAMSON. It may have been discussed by the claims board from time to time, but I do not believe they ever took action on the subject.

Mr. STEELE. In your adjustment with corporations having contracts with the Shipping Board, whether corporations or actually going concerns, doing other work outside, or work for the Shipping Board, and they have a list of salaried officers that they pay regularly an annual salary, what is your method of adjustment for work done

for the Government with the actual salaries which they pay their officers by the year, say?

Mr. ADAMSON. We pro rate—all overhead on the basis of direct labor, usually; that is, we find a total overhead for a given period; we find that in that period a certain number of thousands of dollars have been spent for direct labor on Fleet Corporation work, and so many thousands of dollars spent on outside work, private work, and we get the percentage which the overhead bears to the direct labor, and in that way apply it on a pro rata, so that the burden falls evenly.

Mr. STEELE. Outside of the question of pro rating, do you accept the salaries paid by the corporation to these officers, or do you take any exception to those salaries at the time?

Mr. ADAMSON. We take exception to them at times.

Mr. STEELE. You do take exceptions.

Mr. ADAMSON. Yes, sir.

Mr. STEELE. And then adjust them in some amicable way between you, and officially it is an open account?

Mr. ADAMSON. We simply eliminate from overhead items that we think are improper. In the case of, let us say, the Shipbuilding Co., which is one of a number of associated or affiliated companies, they might have charged in the salaries or too great a proportion of the salaries of men spending the major portion of their time in the work of the other companies. Wherever a man has not been concerned with our contracts, we feel we should not bear the burden of his salary, and we made eliminations from the overhead. In some cases the eliminations have been disputed; in other cases they have been accepted.

Mr. STEELE. How about expenses in the conduct of the corporation, where there may be general expenses paid in the management of the corporation, which in their method of accounting they distribute throughout the year. Do you accept the items of expense of that kind, or do you eliminate them, or what do you do with them—do you adjust them?

Mr. ADAMSON. We eliminate items which are unacceptable under our theory. For instance, we do not permit the inclusion of advertising and in certain cases if their legal expenses are regarded as more than sufficient to take care of the business of the Fleet Corporation, we eliminate lawyers' fees.

Mr. STEELE. All those matters are matters of adjustment, then, between the Shipping Board or the Fleet Corporation and the private contracting firm?

Mr. ADAMSON. First, they are the matter of a very careful audit, and then in disputes that arise they sometimes go to the claims board and insist that certain items be included.

Mr. STEELE. You first make a careful audit of all matters of that kind, do you?

Mr. ADAMSON. Yes, sir.

Mr. STEELE. You have been asked with reference to the Liberty Plant in California?

Mr. ADAMSON. Yes, sir.

Mr. STEELE. Was that a lump sum or a cost-plus contract?

Mr. ADAMSON. That was a cost-plus contract.

Mr. STEELE. What was the amount to be paid by way of commissions then to the contractor, do you remember, under the terms of the contract?

Mr. ADAMSON. I can not recall the exact terms. I would rather speak from the contract on that.

Mr. STEELE. The claims were made under the terms of the contract?

Mr. ADAMSON. It was made under the terms of the contract, but not under the terms of payment provided for completed ships. The contract provided for possible cancellation—provided that within the event of cancellation we should pay 5 per cent on cost of ship construction and $7\frac{1}{2}$ per cent on cost of plant construction for the work actually done.

Mr. STEELE. A claim, however, is made under the terms of the contract before you dispute the amount that you claim under its terms?

Mr. ADAMSON. Yes, sir; that is, they have claimed certain items which we thought should be disallowed entirely, and in other cases they have claimed amounts that are regarded as somewhat excessive.

Mr. STEELE. Has the matter been up to your board yet for adjustment? Has no award been made?

Mr. ADAMSON. I believe that a tentative award has been made; I am not sure that there has been any final award.

Mr. CONNALLY. Just one question I want to ask you, Mr. Adamson, in reference to this Green Star contract that the Government took over in April, 1920: Is that a fact that the Shipping Board has been canceling other contracts heretofore and at that time, stopping building on them?

Mr. ADAMSON. They had canceled this contract in the same yard for five Liberty ships.

Mr. CONNALLY. But other ships—had they not canceled a lot of contracts for ships at Hog Island?

Mr. ADAMSON. Oh, yes.

Mr. CONNALLY. And all over the country, and paid losses by reason of those cancellations?

Mr. ADAMSON. Yes, sir.

Mr. CONNALLY. And then turned right around and made a contract to take over these—what was the name of this yard?

Mr. ADAMSON. Nafra contract.

Mr. CONNALLY. And then made a contract to take over this Nafra contract and complete these ships and then turn around and sell them to this Green Star Line? Did they not do that in the face of the fact that they had been canceling contracts all over the country at an enormous cost therefor?

Mr. ADAMSON. They did that after they had canceled a very large number of contracts.

Mr. CONNALLY. What was the sense of them doing that, unless somebody was getting a private benefit out of it?

Mr. ADAMSON. Mr. Connally, I have had no advice as to the reasons for this, and, of course, can not comment upon them; there must have been very good reasons.

Mr. CONNALLY. Was Mr. Gillen at that time an executive assistant to Judge Payne or Admiral Benson—at the time this happened in April, 1920?

Mr. ADAMSON. I believe that was his title, special assistant to the chairman, and it may be that he was a member of the board of trustees also at that time; I am not sure.

Mr. CONNALLY. How long after that was it that he severed his connection?

Mr. ADAMSON. I think he left on the 1st of August, 1920.

Mr. CONNALLY. About the time the ships were finished? When were the five ships completed?

Mr. STEELE. They are not completed yet.

Mr. ADAMSON. I think the last delivery was made last year, August 23, 1920.

Mr. CONNALLY. And he quit about the 21st of August—somewhere in there? Is he now connected with some of these companies, the Green Star?

Mr. ADAMSON. If he is, I never heard of it.

Mr. CONNALLY. Or the Nafra?

Mr. ADAMSON. I do not know anything about it.

The CHAIRMAN. What was the aggregate amount of this expenditure that the Shipping Board made, if you know—paid \$1,350,000 to the Equitable Trust Company?

Mr. ADAMSON. The contract price for the five Nafra ships was \$7,878,750. At the time, that is, on April 20, when the Fleet Corporation took over this contract, we agreed to pay back \$1,350,000 to the Equitable, to credit the Green Star Corporation with progress payments already made, amounting to \$2,265,140.63, and to assume the unpaid balance of the contract payments to the Standifer Corporation, amounting to \$4,263,609.37. That credit of \$2,265,140.63 to the Green Star was to be applied on account of the purchase price of the ships, which were to be sold back.

The CHAIRMAN. If I understood you, Mr. Adamson, you testified that the material that went into these ships was in the yards, placed there for the Fleet Corporation, for building five ships which they canceled, and they sold to the Standifer Co. for about 50 cents on the dollar.

Mr. ADAMSON. There were two groups of material that figured in this: This contract, No. 503 S. C., our contract which was canceled, had charged to it materials amounting to something over \$900,000. When the contractor started to negotiate his settlement with Mr. E. D. Levy, then chairman of the General Cancellation Claims and Contracts Board, he introduced a new element into this claim. He claimed not only that we should reimburse him for the materials on account of contract No. 503, the canceled contract, but that we should take over surplus materials on account of contract 156 for 10 steel ships that were identical. He represented that this surplus of material on account of contract 156 then amounted to about \$841,000. We were to pay him 100 cents on the dollar for this surplus from No. 156, and at the same time sell it back to him at 50 cents on the dollar. We were to take over the materials from the canceled con-

tracts, of course, at 100 cents on the dollar, and then at the same time sell it back at 50 cents on the dollar.

At that time contract 156, I believe there had been just five or possibly four or five of the ships completed, and I do not know just how they arrived at any surplus on that uncanceled contract. Of course, we were not responsible for any surplus on a lump sum contract; that was the contractor's own responsibility. But on November 17, 1919, Mr. Levy made this arrangement by which we purchased this surplus material and sold it back at 50 cents on the dollar.

Mr. STEELE. What did you purchase it at?

Mr. ADAMSON. We purchased it at 100 cents on the dollar; that is, the invoices cost plus handling charges, etc. While Mr. Levy used certain definite figures representing the amounts of steel on the two contracts, the settlement was made subject to audit; and the \$841,000—I might say \$841,354.95 was supposed to represent the inventory of surplus materials on account of contract 156, \$928,186.59 was supposed to represent the inventory of materials on account of the canceled contract. That was subject to inventory and audit.

Well, under date of August 1, 1920, an inventory was submitted to the claims board, which has increased the quantities of materials which we are to take over at 100 cents and sell at 50 cents on the dollar; the inventory as submitted amounts to \$919,292.27, on account of the canceled contract No. 503; that is, a slight reduction. But on account of the surplus materials on the uncanceled contract, 156, the inventory has gone from \$841,000, up to \$1,013,343.78. So that on the basis—

The CHAIRMAN (interposing). That is the 100 cents on the dollar inventory?

Mr. ADAMSON. Yes. On the basis of those inventory figures we would have to pay \$1,932,636.05 and sell it for just half that price. But the auditors in pricing this inventory have reduced the amount down to about \$1,910,000 that we have to pay.

The CHAIRMAN. Who was the district supply and sales manager at that time when this property was sold, do you know?

Mr. ADAMSON. I can not say; that was November, 1919.

The CHAIRMAN. Was it Mr. Yoakum?

Mr. ADAMSON. I do not believe so, not in that district.

Mr. CONNALLY. Mr. Levy had it bought, but he did not sell it; somebody else sold it.

Mr. ADAMSON. Mr. Levy bought and sold in the same document.

Mr. CONNALLY. Bought and sold? Is he still with the Shipping Board?

Mr. ADAMSON. No, sir. He was loaned to the Shipping Board for several months from the American International Corporation.

The CHAIRMAN. Who followed Mr. Yoakum as district supply and sales manager out there?

Mr. ADAMSON. I am not sure; I would have to look up the record.

The CHAIRMAN. Did you audit the books of the Seattle Construction & Dry Dock Co.? That is your department?

Mr. ADAMSON. The home office has not made any audit that I know of. The district comptroller has made audits from time to time; the district comptroller has made an audit of the Todd claims in connection with Tacoma work.

The CHAIRMAN. If I understand you correctly, you have a different set of auditors for repair yards, a different audit made on requisition claims and commandeered ships, and then another for construction and canceled claims?

- Mr. ADAMSON. No, we have not a different set of auditors to make various audits that you have mentioned; for instance, in connection with any claims, which are now pending the district comptroller will make an audit of the claims that are left over from the requisitioned ships, and also on account of the construction of the particular ships. On the repair audit, I believe the present organization is to have the current audit done by a different staff of auditors. However, on the traveling audit feature of the work, I believe that that the same traveling auditors will cover both the repair and construction audits. Mr. McKeon can tell you more definitely about that than can I.

The CHAIRMAN. Just one further question, Mr. Adamson: I understood you to say that you did not recall any settlement since Admiral Benson had been chairman which were not handled in the usual course of procedure which you have outlined. I wish to ask you if the Merrill-Stevens settlement was not handled by the general counsel and attorney for the company, and then referred to the chairman of the board without going to you or without going to the district adjuster and then to you, and then to the claims board?

Mr. ADAMSON. I do not want to be misunderstood. I think my reply to your question awhile ago was that I did not recall any case that Admiral Benson had made settlement that had not been before the claims board. The Merrill-Stevens settlement was passed upon by the claims board, and that claims board did adopt a resolution making a recommendation for settlement. I have previously reported on a proposed statement which had been submitted to me.

The CHAIRMAN. But was not the final settlement handled irrespective of the recommendation of the claims board and directly negotiated by the general counsel and attorney for the company, and then submitted to the chairman?

Mr. ADAMSON. I do not believe it was. I think that the negotiations were by men connected with the claims board; that the claims board passed a resolution authorizing the settlement at a certain figure, and that the contract was made on that basis, and Mr. Talbert is more familiar than I am with that, and he can tell you.

The CHAIRMAN. I believe that is all. But we have asked you for information from time to time during the course of your examination, Mr. Adamson, which you said you might be able to get from the records?

Mr. ADAMSON. Yes; I have tried to keep them in my head, and I think Mr. Saunders has made memorandums. But I am going to ask the stenographer if he can give me from his notes just what you require.

TESTIMONY OF MR. WINFIELD McKEON, DEPUTY COMPTROLLER IN CHARGE OF CONSTRUCTION ACCOUNTS, EMERGENCY FLEET CORPORATION, WASHINGTON, D. C.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. State your full name, Mr. McKeon.

Mr. McKEON. Winfield McKeon.

The CHAIRMAN. You are an employee of the Shipping Board or the Fleet Corporation?

Mr. McKEON. Yes, sir.

The CHAIRMAN. What is your official capacity?

Mr. McKEON. Deputy comptroller in charge of construction accounts.

The CHAIRMAN. How long have you been with the Shipping Board or Fleet Corporation?

Mr. McKEON. I started with the Shipping Board May 28, 1917. I was assigned to Houston, Tex., and resigned December 31, 1919, and returned again May 20 of this year.

The CHAIRMAN. Returned again when?

Mr. McKEON. May 20, last year—1920

The CHAIRMAN. In the same capacity?

Mr. McKEON. No, sir; as deputy general auditor.

The CHAIRMAN. What were you when you started in, in May last?

Mr. McKEON. District auditor, and then transferred to the home office, and had had title of chief auditor, which I held at the time I resigned.

The CHAIRMAN. When were you transferred?

Mr. McKEON. About March of 1919—the first half of March, approximately.

The CHAIRMAN. From May, 1917, to March, 1919, you were at Houston, Tex.?

Mr. McKEON. Yes, sir.

The CHAIRMAN. As district——

Mr. McKEON (interposing). District auditor.

The CHAIRMAN. And from March, 1919, to December, 1919, you were at the home office, as chief auditor?

Mr. McKEON. I had that title practically all of the time. There was a period of a few weeks or a month when I first came into the home office that I was acting as special assistant to the then general auditor.

The CHAIRMAN. Then you resigned and came back in May, 1920, as what?

Mr. McKEON. Deputy general comptroller in charge of construction accounts here in Washington.

The CHAIRMAN. You are stationed here now?

Mr. McKEON. Yes, sir.

The CHAIRMAN. Who gave you your position?

Mr. McKEON. Mr. Tweedale this last time. The first time Mr. Bender.

The CHAIRMAN. Where is your home?

Mr. McKEON. My home is New York City—my original home; I am now living in Washington with my wife.

The CHAIRMAN. How old are you?

Mr. McKEON. I will be 35 this June.

The CHAIRMAN. When you were down at Houston, Tex., what district did you have jurisdiction over?

Mr. McKEON. The Gulf district.

The CHAIRMAN. How many yards?

Mr. McKEON. There were 10 yards.

The CHAIRMAN. Were they all wood-ship yards?

Mr. McKEON. Yes, sir; entirely.

The CHAIRMAN. The Union Bridge & Construction Co.?

Mr. McKEON. Yes, sir.

The CHAIRMAN. That is Louisiana?

Mr. McKEON. That was in our territory.

The CHAIRMAN. The National Shipbuilding Co.?

Mr. McKEON. The National Shipbuilding Co.

The CHAIRMAN. The Southern Dry Dock & Shipbuilding Co.?

Mr. McKEON. Yes, sir.

The CHAIRMAN. McBride & Law?

Mr. McKEON. Yes, sir.

The CHAIRMAN. The Lone Star Shipbuilding Co.?

Mr. McKEON. Yes, sir; that is correct.

The CHAIRMAN. The Beaumont Shipbuilding & Dry Dock Co.?

Mr. McKEON. Yes, sir.

The CHAIRMAN. The Universal Shipbuilding Co.?

Mr. McKEON. You left out the J. N. McCammon, out at Beaumont.

The CHAIRMAN. I have not reached that. The Universal Shipbuilding Co.—J. N. McCammon?

Mr. McKEON. Right.

The CHAIRMAN. The Midland Bridge Co.?

Mr. McKEON. Yes, sir.

The CHAIRMAN. Heldenfels Bros.?

Mr. McKEON. Yes, sir.

The CHAIRMAN. The Houston Shipbuilding Co.?

Mr. McKEON. Yes, sir; that came in.

The CHAIRMAN. And the Naches Shipbuilding Co.?

Mr. McKEON. They had a contract but did not get started; we did not count them as active. They were in that territory.

The CHAIRMAN. There are 12 there?

Mr. McKEON. The Houston was canceled in its inception, and so was the Naches. Those two were never considered active yards. They just got started and were immediately canceled.

The CHAIRMAN. Did you have jurisdiction over the Gulf Construction Transport Co.?

Mr. McKEON. No, sir.

The CHAIRMAN. Just what were your duties down there?

Mr. McKEON. I was sent into the district to organize the accounting and auditing department—to supervise, audit, and check over the payment of vouchers and approve them as to audit—through my assistants.

The CHAIRMAN. Were those all wood-ship yards?

Mr. McKEON. Yes, sir; reporting to the general auditor in Washington at that time.

The CHAIRMAN. Do you remember how many ships were under construction there in these various yards, in the aggregate?

Mr. McKEON. They varied; approximately at the start they had something in the neighborhood of 57. I have not refreshed my memory on these points. I have been away from that territory nearly two years now, and toward the end there were over 100, counting the

full complement of ships contracted for, which, of course, there were some canceled later on.

The CHAIRMAN. When you came to Washington, in March, 1919, was that a promotion?

Mr. McKEON. Yes, sir.

The CHAIRMAN. At increased salary?

Mr. McKEON. Yes, sir.

The CHAIRMAN. What was your salary while you were down in Texas.

Mr. McKEON. I was getting \$4,800.

The CHAIRMAN. How many subordinates did you have under you?

Mr. McKEON. In the neighborhood of about 115.

The CHAIRMAN. Were there any inspectors under you?

Mr. McKEON. No, sir; the inspectors came under the construction department.

The CHAIRMAN. Were these contracts down there all of one form? Were they lump sum or cost plus?

Mr. McKEON. No; at the inception there were two straight out-and-out cost-plus contracts.

The CHAIRMAN. Which yard had them?

Mr. McKEON. The Union Bridge and the Midland Bridge; all the others were on the lump-sum basis.

The CHAIRMAN. That was at Morgan City, La., the Union Bridge and the Midland Bridge, and the Midland Bridge at Houston Ship Channel, Tex.?

Mr. McKEON. Yes, sir.

The CHAIRMAN. And how many ships do they provide for—those two?

Mr. McKEON. The original ship contract with the Union Bridge & Construction Co. was six ships, and the original contract with the Midland ship was the same complement—six.

The CHAIRMAN. Did it come under your jurisdiction to ascertain the manner in which the contracts were being performed by the construction company?

Mr. McKEON. It came under my jurisdiction to take vouchers and audit the payments and also at that time we countersigned the checks, together with the disbursing officer. But so far as supervision of the contract in any way over these inspectors, as to what progress was being made, that was under the district manager.

The CHAIRMAN. You say there were two out and out cost plus contracts?

Mr. McKEON. Yes, sir.

The CHAIRMAN. What other forms of contract were there?

Mr. McKEON. Lump sums.

The CHAIRMAN. All the rest were lump sum?

Mr. McKEON. Yes, sir; that is, up to a period. They were originally lump sum, and then they were changed to cost plus.

The CHAIRMAN. When was the change made?

Mr. McKEON. At various dates. I think commencing about the middle of 1918 they started to convert them from the lump-sum type to cost plus.

The CHAIRMAN. They started out on cost plus?

Mr. McKEON. They started out on cost plus, yes, with a fixed fee; it was not plus percentage, it was plus a fixed fee.

The CHAIRMAN. Cost plus a fixed fee?

Mr. McKEON. Yes, sir; \$15,000 per hull.

The CHAIRMAN. Did that form prevail in all the yards?

Mr. McKEON. That, I think, was the fixed fee in almost all cases—excuse me, just a minute, Mr. Chairman. There is one contract there—two others I did not mention, and I do not know whether you wish to bring them in—the Dry Dock contracts at Galveston and at Beaumont, and the Marine Railway at Beaumont, if you want to make that list complete. But they had nothing to do with ship construction.

The CHAIRMAN. They were contracts under your jurisdiction for work being done by the Fleet Corporation.

Mr. McKEON. Yes, sir.

The CHAIRMAN. And the Dry Dock at Galveston?

Mr. McKEON. Yes, sir; and Dry Dock at Beaumont.

The CHAIRMAN. Dry Dock at Galveston?

Mr. McKEON. Yes, sir.

The CHAIRMAN. By whom was the work to be performed?

Mr. McKEON. The Galveston Dry Dock Construction Co.

The CHAIRMAN. And the one at Beaumont was to be performed by whom?

Mr. McKEON. The Beaumont Shipbuilding & Dry Dock Co.; and the Marine Railway for the same period.

The CHAIRMAN. Was the Marine Railway a separate contract?

Mr. McKEON. Yes, sir; it is a separate contract.

The CHAIRMAN. Do you remember when those contracts with the Beaumont Shipbuilding & Dry Dock Co. were entered into; were they made subsequent to the contract for the shipbuilding?

Mr. McKEON. Subsequent, in all cases.

The CHAIRMAN. And did you have to look into the matter of payment on account of plant construction?

Mr. McKEON. That was part of my duty in connection with the cost-plus contracts.

The CHAIRMAN. Do you know of any instances there where plants were built upon private property?

Mr. McKEON. In all cases that was the case.

The CHAIRMAN. The plants were all upon land owned by the parties operating the shipbuilding plants?

Mr. McKEON. No, sir; the land was leased. In the case of the Union Bridge Construction Co. the land was leased from local party at Morgan City, and in the case of the Midland Bridge Co. the land was leased from Col. House.

The CHAIRMAN. Leased to the contractor?

Mr. McKEON. Yes, sir.

The CHAIRMAN. Were these other contracts for ship construction where payments were made by the Fleet Corporation on the part of plant construction upon land owned by the contractor or on leased land?

Mr. McKEON. In most cases, in my district, the land was leased.

The CHAIRMAN. Leased by the contractor?

Mr. McKEON. Leased by the contractor, but I will say that at the inception on the lump-sum basis, we were not interested in the plant construction. The Fleet Corporation did not at that time finance any of the plant construction for the lump-sum contractors.

The CHAIRMAN. It did not involve any payments or advances on account of the plant?

Mr. McKEON. No, sir. But it did for the two cost-plus contracts, because there we contracted to furnish plants and provide for ship costs.

The CHAIRMAN. Do you know of any instances in which advances of payments were made on account of construction where the plant was erected upon land where there was any irregularity with reference to the leasing of the land or the title to the land, where the contractor did not have a proper lease of the land or did not have proper title to it, to the possession or occupancy?

Mr. McKEON. As I have said, the only two plants where we figured plant construction were in the case of the Union Bridge & Construction Co., at Morgan City, where there was a lease which was passed upon by our legal division, and also in the case of the Midland Bridge Co., of Houston, Tex., which was also passed upon by our legal division. So that we went on the assumption that so far as the temporary title to that land was concerned, it was all right, and there was a proviso in those leases, I believe, for an extension of period, I think, in each case, of two years beyond the termination of the original leases, providing it was necessary. But there were no provisions made as to our title to that plant, because it was understood when the plant was through it had to be salvaged.

The CHAIRMAN. There was no clause in the lease that upon the termination title to the land passed to the Shipping Board or Fleet Corporation?

Mr. McKEON. No, sir; the land had to be returned in its original condition, which would provide for the razing and removal of all improvements.

The CHAIRMAN. As to the inspectors down there, did it come under your observation as to whether there were a sufficient number of inspectors to follow the course of the work of plant construction or shipbuilding?

Mr. McKEON. I would say—of course, the inspectors did not report to me, but as a matter of opinion—

The CHAIRMAN (interposing). Do you know how many there were there?

Mr. McKEON. Generally, they started off with one inspector at each yard, and then as the volume of work increased there were sometimes two or three assistants, depending on the size of the plant. There were periods of time when the volume of work thrown upon the inspectors was such as to practically make it impossible for them thoroughly to cover the ground.

The CHAIRMAN. Of course, the work or the report of the inspectors came to you in your capacity as auditor, did it not?

Mr. McKEON. My connection with the inspectors was this: All vouchers for the payment of material or for the payment of pay roll required first the approval of an inspector before we would pass it. We would audit the payment as to the mathematical accuracy and the agreement with the parties and purchase price and the cost of materials. But, further than that, we required the inspectors' signatures, signifying that the material was to be used in connection with our work and had been so used or, if not used, had been put in storehouse for that purpose.

The CHAIRMAN. Did you ever go behind the inspectors' signature upon the voucher?

Mr. McKEON. We had no authority to do so.

The CHAIRMAN. Once a voucher came to you bearing the signature of the inspector, it was your duty to carry out the arithmetical computation and certify it for payment and countersign the checks?

Mr. McKEON. We had one additional precaution, that was the signature of the district manager, or the assistant district manager, who also had to—

The CHAIRMAN. He was in charge of the inspectors?

Mr. McKEON. Yes, sir. He had to sign, or his assistant, or, in the case of any question, we would always take the matters up with him.

The CHAIRMAN. While you were there, did any questions of errors or improper inspection come to your attention—in any of those yards?

Mr. McKEON. Might I ask a question to clear the point? Do you mean proper inspection as to ship construction or vouchers being passed that we might raise some question about?

The CHAIRMAN. Either way.

Mr. McKEON. There were some instances where we did question the passing of vouchers, and took the matter up with the district manager, and in some instances even went higher than that, by taking the matter up with the home office, when we were not altogether satisfied with what had been explained to us there. Upon receiving final instructions from the home office we acted.

The CHAIRMAN. Did that involve a saving to the Shipping Board or the Fleet Corporation—this action in referring it to the home office?

Mr. McKEON. Well, there were times when I was overruled, when I in some instances had raised questions, and I was told that my point was not in order.

The CHAIRMAN. Did you come across any transactions there which involved the padding of pay rolls or costs of materials, or loss or theft of tools accumulated in any of these yards?

Mr. McKEON. Yes, sir; there were instances; in connection with one of our cost plus contractors there was an instance of pay-roll padding.

The CHAIRMAN. Which contract?

Mr. McKEON. The Union Bridge & Construction Co.

The CHAIRMAN. That is at Morgan City, La.

Mr. McKEON. Morgan City. The amount was reported by the resident auditor and taken up with the district attorney, and the man was under indictment, but I do not know whether he was ever finally sentenced. There was a lot of argument raised as to some technical proof of the matter, and disposition had never been reached in the case when I left the district.

The CHAIRMAN. That was discovered, reported to the proper authority, and action taken, resulting in indictment?

Mr. McKEON. Yes, sir.

The CHAIRMAN. And upon that action being taken by the Shipping Board, did that practice continue?

Mr. McKEON. I believe—the man was removed; I feel that the condition was corrected.

The CHAIRMAN. With reference to any of these other matters such as theft of material or tools come to your attention—any such matters?

Mr. McKEON. There were reports that such was the case, but I never had conclusive proof of that.

The CHAIRMAN. Did you refer them to the proper official for investigation?

Mr. McKEON. Yes, sir; in case of any information of that nature reaching me, the matter would be immediately taken up with the district manager.

The CHAIRMAN. Which yards did you have anything like that brought to your attention?

Mr. McKEON. Well, the Lone Star Shipbuilding Co. was one case. But I might here add that at one period of time they were on the lump-sum basis, and later changed to cost plus. Theoretically what happened in their yards on the lump-sum basis was no loss to the corporation, had the contract remained so—would be loss to the contractor, not the loss of the corporation. But if the contract was changed to the cost-plus basis, if any of those losses were included in the cost, we would, of course, suffer.

The CHAIRMAN. You say in respect to the Lone Star you brought the matters to the attention of the district manager there, where you did not have positive proof perhaps of any thefts or irregularities you referred to the district manager?

Mr. McKEON. Yes, sir; the transactions would come to me in a way that I might call gossip. An inspector would come in and say to me "So-and-so was wrong," or timekeepers; and immediately upon getting such a report I would do the best I could to investigate it. There was a similar condition hinted at in connection with the Beaumont Shipbuilding & Dry Dock.

The CHAIRMAN. You referred it to the district manager in each case?

Mr. McKEON. In all cases; yes.

The CHAIRMAN. And you do not know whether it was investigated or not and found to be true or untrue?

Mr. McKEON. Well, they were investigated; in fact, I through the general auditor requested—I do not believe I did it in writing—but I requested the assistance of the plant protection section, and there were representatives of that department sent down to assist us in trying to root up some of these alleged irregularities.

The CHAIRMAN. Did the conditions improve after that had been done; were the complaints stopped?

Mr. McKEON. There were at various times intimations along that line cropping up. I would not say exactly that the contractor was trying to profit by it, whether it was merely irregularities of his workmen or just what was back of it. The condition was one you would hear now and then of something not being quite right, which we would immediately try to remedy with the means at our disposal.

The CHAIRMAN. As a result of the assistance of the plant protection representatives who were sent down there, do you know whether any indictments were obtained of any of these persons?

Mr. McKEON. I believe in one case; yes—I think in two cases.

The CHAIRMAN. Outside of the case you have mentioned?

Mr. McKEON. There was one outside of the case I have mentioned at the Southern Dry Dock; I did not mention that name before.

The CHAIRMAN. That was at Orange, Tex. ?

Mr. McKEON. Yes, sir.

The CHAIRMAN. What did that involve ?

Mr. McKEON. That was a pay-roll defalcation.

The CHAIRMAN. By one of the officials ?

Mr. McKEON. It was one of the subordinates—as I remember it.

The CHAIRMAN. And that, you think, resulted in indictment ?

Mr. McKEON. I believe so. That I think was consummated after I left the district.

The CHAIRMAN. Was it any part of your duty to ascertain whether proper progress was being made under the contract before payments were certified ?

Mr. McKEON. I attempted to make it such.

The CHAIRMAN. How ?

Mr. McKEON. The resident inspectors had forms of reports that they had filled out weekly and sent into the district office to the construction manager to keep him advised as to progress, and those forms of reports were gotten up on a point basis, assigning a certain valuation to the various stages of construction. We took the contracts and assigned to the various payment checks mentioned in the contracts the possible earnings of points. It was on an arbitrary basis, and no way of getting it exact; and then we would match up the points reported by the inspector on his progress report which he requirements called for by the contract to any stage of payment.

In addition to that—that was a secondary check on the inspector himself, because I required his signature to the voucher—that the progress payment had been duly earned at the plant, and then the voucher would come in and I would make that check on it to see that it agreed with the weekly progress reports as he had compiled them.

The CHAIRMAN. There were some yards there that did not make proper progress under their contracts ?

Mr. McKEON. You mean from the point of view of construction ?

The CHAIRMAN. Yes.

Mr. McKEON. All of the yards, Mr. Chairman, were much behind their schedule. Of course, I am not a construction man and hardly in a position to criticize to show just why, but I can generally state that the yards were very much behind all of the anticipated schedule.

The CHAIRMAN. Whether or not that may have been due to delay in furnishing material to them ?

Mr. McKEON. I do not think there is very much to that point, because in the most cases we furnished them lumber far more rapidly than they were able to handle it.

The CHAIRMAN. With reference to plant construction, was the delay in that also ?

Mr. McKEON. Unquestionably, in our district all but the National Shipbuilding Co. were new yards, and there was delay in getting started to build their plants; their plants had to be entirely constructed from the ground up, and even in most instances cut down the trees to clear the site.

The CHAIRMAN. And was there delay in getting materials ?

Mr. McKEON. I would not say there was any delay of consequence. The contractors in presenting claims to us have showed advance charges against us for delay in construction, but my own personal opinion of it is that we were not seriously at fault there.

The CHAIRMAN. Do you know of any instances where lumber was furnished fit for the decks before it was furnished for the keels?

Mr. McKEON. That is true in some cases.

The CHAIRMAN. That was not any fault of the contractor, was it?

Mr. McKEON. No, sir. But I do not think that condition was bad enough to really delay the ship construction program. There was a whole lot of lumber shipped in that could not be used until more advanced stage of construction could be reached, but I think on the whole lumber was furnished sufficiently fast to keep them going fairly well under the conditions.

The CHAIRMAN. Did you notice any instances there where the same company would be operating in the same yard on a cost plus for ship construction and a lump sum on plant construction?

Mr. McKEON. Well, I think your point is that in certain instances the contractor had to finance his own plant.

The CHAIRMAN. Yes.

Mr. McKEON. And we would be paying the ship construction cost, that is true, on all these lump sum contracts when changed to the cost plus basis.

The CHAIRMAN. That was changed and no cost of delay or excessive payment—

Mr. McKEON (interposing). Would be allowed on the cost plus.

The CHAIRMAN. That would be taken care of and changed to the cost plus.

Mr. McKEON. Yes, sir.

The CHAIRMAN. And the Shipping Board suffered no loss on that account?

Mr. McKEON. Through the delay? Had there been any excessive overhead be cause of the delay we would have paid it on the cost plus basis, and we would have absorbed that loss.

The CHAIRMAN. Do you know of any cases where labor or material or tools or power or anything of that sort was misappropriated by any of the contractors in these cost plus yards?

Mr. McKEON. Well, I had reports reach me in the way I have indicated heretofore that such was the case at one plant I have in mind.

The CHAIRMAN. You have spoken of those things?

Mr. McKEON. Yes, sir.

The CHAIRMAN. And they were inserted in your previous testimony as being matters you referred to the district manager?

Mr. McKEON. Yes, sir.

The CHAIRMAN. I assume that steps were taken to investigate whether they were true, and if they were true conditions were remedied?

Mr. McKEON. We did more than report them; we would try and follow them up and see if we could get an adjustment, if we could possibly do so.

The CHAIRMAN. Did you find any such conditions?

Mr. McKEON. Most all of my cases are a matter of record. I would communicate with the district manager in the form of a letter, explaining the remarks that had reached me and my reasons for asking his investigation; and I know steps would be taken at times to remedy the conditions complained of. But so far as fixing a value and recovery on anything that had passed, I can not recall any instance of that.

The CHAIRMAN. Do you recall the contract with the Universal Shipbuilding Co.?

Mr. McKEON. Yes, sir.

The CHAIRMAN. Was there anything irregular or improper or questionable presented there in the prosecution of that work?

Mr. McKEON. Under either lump sum basis or cost plus?

The CHAIRMAN. There was at any time?

Mr. McKEON. There was a lot of trouble with that contract.

The CHAIRMAN. What was it?

Mr. McKEON. Due to their financial weakness, they were having to come to the Fleet Corporation for assistance to get permission to borrow certain of the ship construction funds for plant construction purposes, and then later on there was considerable controversy between the district manager and the contractor as to the quality of certain construction work that had been done, and I believe that was settled by compromise agreement whereby the contractor had at his own expense to make that defective work good.

The CHAIRMAN. Of course, the largest shipbuilding establishments in the country were financially assisted by the Shipping Board during this tremendous program that was undertaken, and there was nothing improper about making advances financially and financially assisting these yards down there, was there?

Mr. McKEON. Absolutely not.

The CHAIRMAN. And was there any improper construction discovered and steps taken to remedy it in the case of the Universal Co.?

Mr. McKEON. In the case of the Universal Co. they had to make good at their own expense the defective construction.

The CHAIRMAN. How many ships did they have to build, do you know?

Mr. McKEON. Twelve.

The CHAIRMAN. And how many ways did they have?

Mr. McKEON. Eight.

The CHAIRMAN. Did they build the 12, do you know?

Mr. McKEON. I do not believe they did. After I left the district I am certain there were some canceled.

The CHAIRMAN. How many were they building while you were there?

Mr. McKEON. They had eight going.

The CHAIRMAN. Was there anything with reference to the contract with the Midland Bridge & Shipbuilding Corporation which showed any irregularity and improper work, or overpayment or unlawful procedure on the part of the contractor?

Mr. McKEON. I believe there was some defective work there that had to be corrected and, as I have said, the resident inspector at that point reported to me at times that the labor in the yard was not as efficient as it might have been; put, of course, that was the condition that prevailed all over the country.

The CHAIRMAN. Was this defective work cured?

Mr. McKEON. I understand it was remedied, but they were on the cost plus basis, and, as far as I know, the Fleet Corporation paid the entire cost.

The CHAIRMAN. Do you know what caused this improper work—was it because of improper specifications or poor material furnished

to the Fleet Corporation, or was it wholly due to improper workmanship or workmen in the yards?

Mr. McKEON. I am not altogether in a position, Mr. Walsh, to pass upon the technical construction matters; it would only be hearsay or second-hand if I did.

The CHAIRMAN. You did not investigate it at all?

Mr. McKEON. No, sir.

The CHAIRMAN. What have you to say with reference to the National Shipbuilding Co. at Orange as to the improper work?

Mr. McKEON. They were on the lump-sum basis all the way through, and, so far as I know, there was no trouble with them during the construction period. I have heard reports that there was some trouble with some of the boats afterwards on account of hogging, but I have no information about any trouble during the active construction work.

The CHAIRMAN. That, of course, would be after the boats were completed and delivered that that developed?

Mr. McKEON. Yes, sir.

The CHAIRMAN. How about the Midland, the McBride & Law; were they lump sum?

Mr. McKEON. They were lump sum to start with and changed to cost plus.

The CHAIRMAN. Did they have any difficulties or trouble with them and their work?

Mr. McKEON. There was some trouble with the American Bureau of Shipping. One of the boats had to have a supporting arch built in her. That was at the orders of the American Bureau of Shipping.

The CHAIRMAN. Was that after completion and delivery or before?

Mr. McKEON. No, sir; while it was on the ways.

The CHAIRMAN. Do you know whether that was because of defective design of the sort of material used, or poor workmanship or because of faulty specifications?

Mr. McKEON. There, again, that is a technical matter, but I will give you what I have heard.

The CHAIRMAN. Who told you about it?

Mr. McKEON. Members of the construction department.

The CHAIRMAN. Down there?

Mr. McKEON. Yes, sir; I understand the progress of construction on that boat had gotten to a point where they could not put in the extra flooring, that was later demanded by the American Bureau of Shipping, to strengthen the back of the boat, and to overcome that defect they had to use this arch; and also there was criticism, I believe, by the American Bureau as to certain scarfing that had not been spaced in according with their ideas; the butts would come in a straight line, which would mean a weak place in the boat and would act like a hinge when any stress was put on it, and I believe those two reasons entered into that extra work which had to be done.

The CHAIRMAN. Did the American Bureau have an inspector there during the progress of this work?

Mr. McKEON. The American Bureau had inspectors who periodically visited all the yards; yes, sir.

The CHAIRMAN. From the inception?

Mr. McKEON. Yes, sir. The work had to pass the approval of the American Bureau of Shipping.

The CHAIRMAN. If the American Bureau's inspectors had been diligent they could have discovered this defect before it was too late to put this additional flooring in, could it not?

Mr. McKEON. That I am not prepared to say. There were hundreds of changes of designs.

The CHAIRMAN. These wooden ships built down there were of the Ferris type, were they not?

Mr. McKEON. Yes, sir.

The CHAIRMAN. And the Ferris type of ship at the start was a much different design than it was when they got through changing the specifications and altering the plans, was it not?

Mr. McKEON. Absolutely. There was another type of construction in that district, the Daugherty type built by the National Shipbuilding and National Oil.

The CHAIRMAN. Well, of course, there were quite a few changes in the various designs, were there not?

Mr. McKEON. I do not think, Mr. Chairman, there were any changes in that boat, because it was inspected by Lloyds, and it was built according to plans and specifications prepared by the builder himself; that is my understanding.

The CHAIRMAN. Well, that was McBride & Law.

Mr. McKEON. That had the arch; yes, sir.

The CHAIRMAN. Did the Fleet Corporation have to pay for that, extra?

Mr. McKEON. It was provided in the new cost plus contract negotiated with McBride & Law that they were to assume a portion of that cost. I do not know what the plan of settlement was.

The CHAIRMAN. How many ships did they have to build?

Mr. McKEON. They started out with four.

The CHAIRMAN. How many ways?

Mr. McKEON. Two.

The CHAIRMAN. How about the Beaumont Shipbuilding & Dry Dock Co.—were there delays and improper workmanship, overpayment or advancements which were not justified for the work?

Mr. McKEON. There were delays in delivering the ships there, the same as at other places; there were reports of defective workmanship there the same as in other places.

The CHAIRMAN. Did it result in increased expense to the Shipping Board, do you know?

Mr. McKEON. Well, my opinion would be—yes.

The CHAIRMAN. There were changes in the specifications, though?

Mr. McKEON. Yes; the same conditions there as at other yards.

The CHAIRMAN. Did the American Bureau have inspectors at that yard?

Mr. McKEON. They did at all of the yards; they were not resident inspectors; they were traveling inspectors.

The CHAIRMAN. What do you say about the Lone Star contract; how many ships did they have to build?

Mr. McKEON. Eight.

The CHAIRMAN. How many ways?

Mr. McKEON. Four.

The CHAIRMAN. With reference to their work and the ships they built, was there any irregularity or defective work or improper payments?

Mr. McKEON. I will say, generally, that in most of the yards there was trouble with the ship construction, because it was a new thing to most of the builders, and they did the best they could under the circumstances. In that particular yard I am informed—I am not in position to say from any personal knowledge as to construction—that the first boat had some defects, but that the other boats turned out were considered good boats.

The CHAIRMAN. The other boats that were turned out might have had the improved designs and specifications which had been ordered, but the first boat did not have?

Mr. McKEON. That may be true.

The CHAIRMAN. Was there any claim filed or passed through your hands in the Lone Star Shipbuilding Co. case for the payment or purchase of Liberty bonds?

Mr. McKEON. They did not pass through my hands, for the reason that the contract was on the lump-sum basis, when these Liberty bond drives were under way, and his arrangements with his workmen were made by himself. We had no supervision over them.

The CHAIRMAN. Did not the claims for reimbursement come through your office?

Mr. McKEON. Claims for reimbursement on Liberty bonds?

The CHAIRMAN. Yes.

Mr. McKEON. I think there is another item you are speaking of, Mr. Chairman. Do you mean the loss on the sale of Liberty bonds?

The CHAIRMAN. Yes.

Mr. McKEON. There was a claim presented to the Shipping Board to absorb the loss on the sale of Liberty bonds; yes, sir.

The CHAIRMAN. Did that go through your office?

Mr. McKEON. It was presented as a form of claim. I refused to acknowledge it.

The CHAIRMAN. What was the claim made on? What was that question that was raised in connection with those bonds?

Mr. McKEON. The Lone Star Shipbuilding Co. started out on the lump-sum basis, under the terms of which we paid 10 per cent of the contract price, which was deposited in what was called the "Controlled account," to insure that the proceeds of that deposit were used for ship construction. We paid vouchers out of that upon presentation by the contractor, approved by the signature of our inspector—we did not make what would be called an audit of that—the funds were considered to be his, technically, but held in control by us to see that they reached the ultimate purpose of going into ship construction.

The CHAIRMAN. Just a minute; let us see if we get that.

Mr. McKEON. I am going to bring that right up, Mr. Chairman.

The CHAIRMAN. Let us see if this is the same plan we had with reference to other yards: The amount necessary to pay for the construction of the ship was put into what was known as the controlled account.

Mr. McKEON. No, sir; only a percentage of the total contract—10 per cent.

The CHAIRMAN. How many ships did they have to build?

Mr. McKEON. Eight.

The CHAIRMAN. How many ways?

Mr. McKEON. Four.

The CHAIRMAN. What percentage?

Mr. McKEON. Ten per cent of \$2,400,000.

The CHAIRMAN. Was put into the controlled account?

Mr. McKEON. Yes, sir.

The CHAIRMAN. At the beginning of the work?

Mr. McKEON. At the beginning; that was supposed to provide them with funds enough to make their immediate purchases of material. They naturally had to place large orders in the beginning, for the requirements of iron and lumber, etc., and when that money was deposited on presentation of a sworn affidavit that they had placed orders equivalent to that amount, the funds were presumed to be withdrawn to meet those obligations and pay rolls.

I believe it was during the Second Liberty loan drive, either the First or Second, that there were quite a large sum in this controlled account at that time, because ship construction had not progressed very fast—the plant being about under construction for a while—and the Lone Star applied for permission to withdraw \$100,000 for the purpose of subscribing to some Liberty bonds. Permission was secured from the home-office officials to make that withdrawal.

The CHAIRMAN. Did that permission go through your office?

Mr. McKEON. Yes, sir.

The CHAIRMAN. Who gave the permission?

Mr. McKEON. My instructions were transmitted by Mr. Bender, the general auditor; I countersigned a check to purchase these Liberty bonds, and they were held by the Bankers Trust Co. as trustee, to prevent any diversion of the funds by sale of the bonds. At a later date the contractor needed the money, because ship construction had speeded up, and he had used up practically all that was in the controlled account and was not earning progress payments fast enough to do without this money that had been turned into the bonds, and permission was granted to sell them.

The CHAIRMAN. Who gave them permission to sell them?

Mr. McKEON. The home office.

The CHAIRMAN. Did it go through your office?

Mr. McKEON. No, sir; I believe that was handled direct with the Lone Star people; the proceeds of the sale were credited to the controlled account and spent in the usual way. There was a loss on that transaction of over \$4,000—I forget the exact figure.

The CHAIRMAN. Why?

Mr. McKEON. They were sold at a discount; they were purchased at par and sold at less than they actually cost.

The CHAIRMAN. How long after they were purchased were they actually sold?

Mr. McKEON. I would think about five months.

The CHAIRMAN. The entire lot of bonds were sold—\$100,000 worth were sold?

Mr. McKEON. I do not believe they were allotted \$100,000; my recollection is that they got \$90,000.

The CHAIRMAN. And \$86,000 was all that was received for them?

Mr. McKEON. Yes, sir—that is, if my assumption is correct. The figures I am not fresh on.

The CHAIRMAN. Was there a claim made for that \$4,000?

Mr. McKEON. The contractor, after they were changed to cost plus basis, requested the Fleet Corporation to reimburse him for that loss.

The CHAIRMAN. To reimburse him for the loss?

Mr. McKEON. Yes, sir. They filed a formal claim for that recovery.

The CHAIRMAN. The \$90,000 was taken out of the controlled account?

Mr. McKEON. Yes, sir.

The CHAIRMAN. And the bonds were purchased, and when they were sold there was only \$86,000 put back there in the controlled account for use of the contractor?

Mr. McKEON. Yes, sir.

The CHAIRMAN. And when they were changed to cost plus, he asked that he be allowed that \$4,000?

Mr. McKEON. Yes, sir.

The CHAIRMAN. Do you know whether or not that claim has been withdrawn?

Mr. McKEON. I have been informed that they are not going to press it.

The CHAIRMAN. You do not know whether or not that is correct?

Mr. McKEON. I will not say definitely.

The CHAIRMAN. Mr. Tweedale would know?

Mr. McKEON. Mr. Adamson would know.

The CHAIRMAN. How about the Southern Dry Dock & Shipbuilding Company at Orange? Were there any matters of improper payment or overadvances or defective work, undue delays or unlawful proceedings in connection with that contract that you know of?

Mr. McKEON. There was considerable delay in the delivery of boats long past the estimated dates.

The CHAIRMAN. How many ships did they have to build?

Mr. McKEON. Four.

The CHAIRMAN. How many ways?

Mr. McKEON. Two.

The CHAIRMAN. What were the delays due to?

Mr. McKEON. Well, they had to construct their own plant, and did not proceed as rapidly as they anticipated; they had the usual conditions to contend with, inexperienced workmen—and they also had the general condition down there to contend with of inexperience on the part of the company in shipbuilding. They took a contract to build ships, and the principals of the company did not profess to be shipbuilders and they hired superintendents who had the technical training.

The CHAIRMAN. How about the Beaumont Shipbuilding & Dry Dock Company—how many ships were they to build?

Mr. McKEON. They were originally to build four.

The CHAIRMAN. How many ways?

Mr. McKEON. Four ways.

The CHAIRMAN. Was there any undue delay in connection with that work any different from the other yards down there?

Mr. McKEON. The same condition prevailed.

The CHAIRMAN. Was there any defective work turned out?

Mr. McKEON. There was defective work.

The CHAIRMAN. Was it remedied?

Mr. McKEON. Yes, sir.

The CHAIRMAN. Did the Fleet Corporation suffer any loss?

Mr. McKEON. The expense of remedying the work was borne by the Fleet Corporation under the cost-plus plan.

The CHAIRMAN. Do you know how much the expense was?

Mr. McKEON. I could not estimate that.

The CHAIRMAN. Were there any subsequent contracts given to that concern?

Mr. McKEON. They were changed to cost-plus basis, and they also received the marine railway contract and the dry dock contract, subsequent to the ship contract.

The CHAIRMAN. How long afterwards?

Mr. McKEON. Why, I would estimate about eight months after the date of the lump-sum contract.

The CHAIRMAN. Did they complete the four ships?

Mr. McKEON. Yes, sir.

The CHAIRMAN. They cleared the ways?

Mr. McKEON. Yes, sir.

The CHAIRMAN. Do you know whether it is still a going concern?

Mr. McKEON. I do not believe they are building ships. The Fleet Corporation is now renting the plant—at least paying a rental for the plant for the purpose of storing materials there.

The CHAIRMAN. That is a concentration plant?

Mr. McKEON. Yes, sir.

The CHAIRMAN. While you were down there did you come across any irregularities involving forged pay rolls?

Mr. McKEON. The Department of Investigation representative, whom I referred to before in my testimony, told me that he had developed cases of forged indorsements on checks in the case of the Lone Star Shipbuilding Co.

The CHAIRMAN. Were there any irregularities in connection with contributions to the Red Cross or other drives?

Mr. McKEON. I have heard that alleged, but I have no definite proof of it myself.

The CHAIRMAN. You do not know about that?

Mr. McKEON. No, sir.

The CHAIRMAN. You never investigated it?

Mr. McKEON. No, sir.

The CHAIRMAN. And you never heard any complaints as to the result of which you set any investigation on foot?

Mr. McKEON. I have had no official complaint at all.

The CHAIRMAN. What is your work here in the home office?

Mr. McKEON. I am in charge of the Construction Division, auditing and accounting.

The CHAIRMAN. Whose work do you audit?

Mr. McKEON. I have the general supervision of the District Comptroller's accounts, and I have supervision of the traveling auditing staff, which visits and checks up work of the district officers and does any other auditing work that the home office requires.

The CHAIRMAN. Do you make audits which are later made the basis of settlement?

Mr. McKEON. The audits which are made the basis of settlements are made by the district comptrollers, who report to me; that is, made through their organizations.

The CHAIRMAN. When they go through a yard—the district comptroller or the district auditor, whoever it is—and audits the books, how do they report to you? Do they come in and say “the books of John Jones Ship-building Corporation have been audited and we found the books all right?”

Mr. McKEON. They render a written report showing in all the detail that it is possible to derive from the condition of the records, what the various elements of cost are and segregate them.

The CHAIRMAN. They do not make a copy of the reports?

Mr. McKEON. No; they give me a summarized report of that and it comes to Mr. Adamson as the basis of his work.

The CHAIRMAN. You submit that to Mr. Adamson?

Mr. McKEON. Yes, sir.

The CHAIRMAN. Did you have come to you any audit of the Bethlehem Companies?

Mr. McKEON. We are now engaged in an audit of the Bethlehem companies. There has been in the past an ordinary routine audit handled by our district officers through their resident auditors, but there is a special audit under way at the present time of all the Bethlehem Corporation transactions in the East.

The CHAIRMAN. That is under way?

Mr. McKEON. Yes, sir.

The CHAIRMAN. Is that being made by the Fleet Corporation?

Mr. McKEON. No, sir—the responsibility is divided; the Fleet Corporation auditors are checking up the overhead and Perley, Morse & Company; public accountants are checking the labor and material costs.

The CHAIRMAN. Whom are Perley-Morse being paid by?

Mr. McKEON. By the Fleet Corporation.

The CHAIRMAN. What is the occasion for their hiring Perley, Morse to do that work?

Mr. McKEON. That is something, Mr. Chairman, that I could not explain; that was an arrangement entered into by the former Comptroller, with the approval of a former chairman.

The CHAIRMAN. What former chairman?

Mr. McKEON. Judge Payne.

The CHAIRMAN. And was that contract entered into between Perley-Morse and the Board?

Mr. McKEON. Yes, sir.

The CHAIRMAN. Do you know why it was separated, the overhead being done by the Shipping Board and the time and material by Perley-Morse?

Mr. McKEON. Because of a controversy that arose between Perley-Morse & Co. and the Bethlehem Shipbuilding Corporation.

The CHAIRMAN. Were they employed to do it all, originally?

Mr. McKEON. Yes, sir.

The CHAIRMAN. And did they start to do it all?

Mr. McKEON. They started to make a complete audit, and then this controversy arose, the result of which, as a compromise, Perley-Morse & Co. were excluded from the overhead audits.

The CHAIRMAN. Do you know anything about how much the Perley-Morse audit has cost the Fleet Corporation?

Mr. McKEON. To date we have paid over \$500,000—that is, in actual payments; and their December bill is due, which I presume will be another \$50,000 or \$60,000.

The CHAIRMAN. How near finished are they?

Mr. McKEON. That I could not tell you, because the reports we have received from them to date are not sufficiently clear—at least are not in enough detail to draw such a conclusion.

The CHAIRMAN. Is this audit being made as a basis for settlement with the Bethlehem Co.?

Mr. McKEON. It will be used, when completed, as the basis for settlement.

The CHAIRMAN. In your judgment will it be worth the money that is paid for it?

Mr. McKEON. If they produce the results, it would.

The CHAIRMAN. If it is worth the money that is being paid for it, of course, it will be worth the money we paid for it. But, in your judgment, will it be worth the money, from what you have seen from the audit thus far?

Mr. McKEON. As far as reported to us to date, and I am only speaking from what has been reported, we have not got anything to show for that expenditure of money. Of course, the auditor has certain work in progress which may produce results when he has finally concluded his work.

The CHAIRMAN. What was the general procedure of your office when Mr. Bender was comptroller?

Mr. McKEON. Are you referring to the home office, Mr. Chairman, or the field, now?

The CHAIRMAN. Well, your office now.

Mr. McKEON. I was in the field at that time.

The CHAIRMAN. Well, then, what was the procedure, if you were employed in the field; what course did you pursue—the same as you have since—any different when the new comptroller came in?

Mr. McKEON. There have been some changes in the arrangement; there was some reorganization of the district offices, changes in title. That was just prior to the time Mr. Bender resigned, and practically the organization set up at that time exists to-day.

The CHAIRMAN. It is just the same now?

Mr. McKEON. Practically the same.

The CHAIRMAN. No changes?

Mr. McKEON. There are some slight changes.

The CHAIRMAN. But not of any consequence?

Mr. McKEON. But not of any consequence.

The CHAIRMAN. Do you know Mr. C. O. Yoakum?

Mr. McKEON. I met him through his connection with the Beaumont Shipbuilding & Dry Dock Co. when I was in the Gulf district.

The CHAIRMAN. What was his connection with it?

Mr. McKEON. General manager.

The CHAIRMAN. Did he later go to work for the Shipping Board or Fleet Corporation?

Mr. McKEON. He did.

The CHAIRMAN. In what capacity?

Mr. McKEON. As an assistant to the manager of the wood construction division.

The CHAIRMAN. Do you know whether he is still with the Fleet Corporation?

Mr. McKEON. I do not believe he is to-day.

The CHAIRMAN. What is he doing to-day, if you know? Is he with this Beaumont concern again?

Mr. McKEON. That I could not say; he was out on the coast as district supply and sales manager until recently.

The CHAIRMAN. Did it become necessary for you to inquire who the officers and stockholders of the various corporations were, either in making the contracts with them or in changing from lump sum to cost plus, or in arranging for settlement or audit?

Mr. McKEON. Most of the contracts were negotiated without any reference to the district office. There were some instances where we were called upon to make an examination of the contractors' affairs and report any data that we could collect bearing upon their personnel and financial standing to the home office, which they would use as a basis in determining whether or not it was advisable to give them a contract, but the majority of the contracts that I handled in the Gulf district were negotiated without that formality.

The CHAIRMAN. Do you know of any employees of the Fleet Corporation leaving the employ of the Fleet Corporation or the Shipping Board and accepting employment with the shipbuilding concerns that may have resulted in disadvantage to the Fleet Corporation?

Mr. McKEON. There have been instances where employees of the Fleet Corporation have resigned to take positions with shipbuilders.

The CHAIRMAN. Yes.

Mr. McKEON. I had an instance in my traveling auditing staff.

The CHAIRMAN. Did it result in any disadvantage to the Fleet Corporation or Shipping Board?

Mr. McKEON. Well, I would say that he would take with him a special knowledge acquired while serving the Fleet, knowing our methods and getting perhaps some inside information. If a man conscientiously carried out his duties with the shipbuilder, and did not try to take advantage, I would not say it would result in any detriment; it would depend on the personal equation.

The CHAIRMAN. You did not have an organization up there in the Shipping Board that you could not afford to lose a man, did you?

Mr. McKEON. I do not think you can say that of any man.

The CHAIRMAN. And if you did not have an organization set up so that if a man left and went outside, that the Shipping Board or the Fleet Corporation would not be in a position to look out for itself, did you?

Mr. McKEON. No, sir; we certainly were not in a position where we could not look out for ourselves.

The CHAIRMAN. Then, were there any instances in which men left the employ of the Shipping Board or the Fleet Corporation and accepted employment with the shipbuilding concern that resulted in any disadvantage to the Shipping Board or the Emergency Fleet Corporation?

Mr. McKEON. I could not cite an instance.

The CHAIRMAN. Do you know of any instances the other way around, where they left the shipbuilder and accepted a job with the Shipping Board or Fleet Corporation where it resulted in any disadvantage to the Government or the Shipping Board or the Fleet Corporation?

Mr. McKEON. I know of instances where employees have left the shipbuilding companies to come with the Fleet Corporation. The only one I would want to express an opinion on is a man now with me as traveling auditor, and I will say he is a very good, capable man and experienced man, and that he is valuable to us now.

The CHAIRMAN. That resulted in an advantage to you?

Mr. McKEON. I would say that is an advantage.

The CHAIRMAN. Do you know of any instances where it resulted as a disadvantage or proven a handicap in the operations of the Shipping Board or the Emergency Fleet Corporation?

Mr. McKEON. Not that I could make a definite statement about Mr. Walsh.

The CHAIRMAN. Have you investigated claims of contractors for amortization of their plants?

Mr. McKEON. The investigation of claims is handled by Mr. Adamson. We supply all the financial data that we gather from the books.

The CHAIRMAN. Without recommendation?

Mr. McKEON. We do give him our opinion, but he is the representative of the general comptroller, who goes before the cancellation board and argues the case from the comptroller's viewpoint.

The CHAIRMAN. Have you given the facts and figures with reference to claims for amortization, which you have experienced, the opinion that the claims were exorbitant in any instances, or if that is too strong a term, were excessive or were improper?

Mr. McKEON. There are matters of record, Mr. Chairman, that I could not cite offhand where our auditors have recommended that certain claims were apparently excessive.

The CHAIRMAN. Are you familiar with the operations of any wood shipyards in any other section of the country besides the Texas district?

Mr. McKEON. Not close enough to make any comments, only in a general way from hearsay.

The CHAIRMAN. Now, in a general way, were the operations there in the Texas district, over which you had jurisdiction, consisting of plant construction, shipbuilding, installation, and construction of dry-docks and ways, marine railways, carried on as advantageously through the Shipping Board and the Fleet Corporation as in other districts where similar work was in progress under contract with the Government?

Mr. McKEON. In various section of the country the conditions were a good deal different, and certain wood contractors made much better showing; in other instances, the wood-ship contractors that I have heard about have made a far worse showing. I think there were some honest attempts at giving the Government a fair deal in the southern districts; some contractors, in my opinion, worked hard and conscientiously.

The CHAIRMAN. You say there were some honest attempts. You mean that in some instances there were not any attempts to give the Government a fair deal?

Mr. McKEON. I mean by that, that the efficiency of certain yards under the conditions indicated a more favorable showing than in others, due to experience, perhaps most of it.

The CHAIRMAN. Of course it would be supposed, Mr. McKeon, it would be practically impossible to have two yards, either in the same district or located at different districts of the same size, with the same kind of a contract, have the same kind of a ship, and to have them show up just the same.

Mr. McKEON. That is true.

The CHAIRMAN. With the same rate of progress and the same class of work, it would give the same results, would it not?

Mr. McKEON. Yes, sir; I agree with you.

The CHAIRMAN. If there were any cases of defective work, improper work down there in the Texas district—this district over which you had jurisdiction, were they due to causes which the Shipping Board could remedy, or were they just due to existing conditions, such as inexperienced workmen, delay in getting material, lack of facilities and lack of proper labor supply or any other matters of that sort; and could that be attributed to those things, or could it be attributed to the design to go in to make some money out of the Government and get by just as easy as they could?

Mr. McKEON. I would say that they would be contributed by the causes which you have stated.

The CHAIRMAN. Which causes?

Mr. McKEON. Inexperience, lack of efficient help, conditions of that nature?

The CHAIRMAN. You saw nothing down there to indicate that there was any desire to mulct the Government intentionally by giving them poor work and improper material and skimming work and evading the terms of the contract?

Mr. McKEON. I would not say, Mr. Chairman, that any of the contractors went at it with that motive. There were cases of defective workmanship, which may have been accounted for by dishonest workmen who did not want to put in an honest day's work, to get by as easy as they could and get it past the inspectors.

The CHAIRMAN. In your judgment, were there sufficient inspection forces in those yards down there to keep track of the work and supply materials and check up the arrival of material and turning out of the work? As you observed it down there in that district were conditions the same there as they were in many other districts where inspectors were few and more inspectors might have been to the advantage of the Shipping Board or Fleet Corporation?

Mr. McKEON. In getting trained inspectors for wood ship construction, Mr. Chairman, was a very difficult task when we started our program.

The CHAIRMAN. And there was a lack of men down there?

Mr. McKEON. Yes, sir.

The CHAIRMAN. As there was elsewhere.

Mr. McKEON. The same condition as elsewhere.

The CHAIRMAN. But if they had had more it would have been to the advantage of the Government?

Mr. McKEON. I would say that some more help along that line would have been helpful.

The CHAIRMAN. Just a question or two more reverting to this question of amortization: Do you recall any instances where claims for amortization were submitted on which you expressed the opinion that they were bad judgment or too much in that yard?

Mr. McKEON. Which yard are you referring to?

The CHAIRMAN. Any of the yards down in that district.

Mr. McKEON. The final settlement with all the largest contractors was made after I left the district.

The CHAIRMAN. I mean when the claim was submitted, do you recall having expressed the opinion to your superior officer or to some coordinate official that the claims for amortization in any of these yards down there—any particular yard—was too much?

Mr. McKEON. I expressed a certain opinion as to a settlement with the Beaumont Shipbuilding & Dry Dock Co. to my superior, Mr. Bender; yes, sir.

The CHAIRMAN. What was that—about amortization?

Mr. McKEON. It had to do with the general conditions of the contract.

The CHAIRMAN. What was the opinion expressed?

Mr. McKEON. That I thought the revised contract was in favor of the contractor.

The CHAIRMAN. Mr. McKeon, will you come back to-morrow morning at a quarter of 10?

Mr. McKEON. I will be glad to do so.

The CHAIRMAN. The committee will now adjourn until 9.45 to-morrow morning.

(Thereupon, at 5.30 o'clock p. m. the committee adjourned to meet to-morrow, Jan. 12, 1921, at 9.45 o'clock a. m.)

SHIPPING BOARD OPERATIONS.

SELECT COMMITTEE ON UNITED STATES
SHIPPING BOARD OPERATIONS,
HOUSE OF REPRESENTATIVES,
Washington, D. C., January 12, 1921.

The committee met at 9.45 o'clock a. m., pursuant to adjournment from yesterday; Hon. Joseph Walsh (chairman) presiding.

Present also: Representatives Connally and Steele.

The CHAIRMAN. Mr. McKEON, you may resume the stand.

TESTIMONY OF MR. WINFIELD McKEON—Resumed.

The CHAIRMAN. Mr. McKeon, while you were charged with the yards in the district, did you come across any cases of overcharges for labor or material in all of the yards?

Mr. McKEON. There were certain instances where I raised questions with the district manager, and the case was decided after receiving his approval.

The CHAIRMAN. Were they adjusted?

Mr. McKEON. In most cases the district manager authorized the payment and was satisfied with the expenditure.

The CHAIRMAN. What is that?

Mr. McKEON. I say, in most cases the district manager authorized the payment and said he was satisfied with the expenditure.

The CHAIRMAN. I do not mean cases of that sort, where the district manager authorizes the expenditures; I mean an overcharge which was not authorized—an excessive charge, or charge for overtime which was excessive or beyond the rate permitted by the contracts.

Mr. McKEON. There have been some matters which are not yet settled of that nature down there; matters in which that remains to be determined whether it is an overcharge, and that is dependent upon final settlement with one of the contractors.

The CHAIRMAN. Have all of those contractors been settled with down there?

Mr. McKEON. Not entirely; no, sir.

The CHAIRMAN. Have any of the yards down there had final settlement and the money paid, so it is over and clear as to the Shipping Board or Fleet Corporation?

Mr. McKEON. Some of them have not.

The CHAIRMAN. Can you recall how many ships were to be constructed in those ten yards in that district?

Mr. McKEON. The original schedule called for 64, including two yards that never got started.

The CHAIRMAN. Sixty-four?

Mr. McKEON. Approximately 64; that was the original schedule.

The CHAIRMAN. About how many were canceled?

Mr. McKEON. If you will permit, I will get those statistics and furnish them for the record. It is two years since I have been in the

district and I have lost track of a good deal of details. I am talking without having an opportunity to refresh my memory about any of these points.

The CHAIRMAN. I did not know but where you are now you were brought in touch with that work.

Mr. McKEON. It does not keep me in touch—indirectly, but I have not the data at my finger tips; but I can furnish the data for the record if you wish.

The CHAIRMAN. How many cost-plus contracts did they have down there?

Mr. McKEON. At the inception they had the two cost-plus contracts which I spoke of, under which the Fleet Corporation paid all of the costs and the plant construction. The provision in that contract was that if the cost per hull did not exceed \$280,000 the contractor had a chance of making a \$20,000 profit. If the cost ran in excess of that his profit was diminished by the excess; if it ran over \$300,000 he had no profit.

The CHAIRMAN. Ran over what?

Mr. McKEON. The original \$300,000; the original price fixed.

In the case of the Union bridge contract he would under those conditions do the work without profit. In the case of the Midland Bridge contract there was a clause which gave him an interest in the plant if the cost exceeded \$280,000 and he lost out on profit, he then acquired an interest in the plant.

The CHAIRMAN. Who acquired the interest?

Mr. McKEON. The contractor. The plant was built at the Fleet's expense, and he acquired an interest in the plant equivalent to the profit he lost, of the \$20,000.

The CHAIRMAN. So that the more expensive the construction became the more advantageous it was to the contractor?

Mr. McKEON. No, sir; I do not mean to imply that. He had a chance of losing \$20,000 per hull, and on the original hulls—which were six—he might lose \$120,000; that is, the anticipated profit would disappear. He then had a pro rata interest in the plant equivalent to that amount.

The CHAIRMAN. What was that interest in the plant?

Mr. McKEON. The ratio that the profit he lost bore to the \$300,000.

The CHAIRMAN. If the cost went up to the \$300,000 instead of \$280,000, which was fixed on as the limit, he would get \$120,000 interest in that plant.

Mr. McKEON. Yes, sir.

The CHAIRMAN. How could he get an interest in the plant paid for by the Government—by taking him in partnership?

Mr. McKEON. It was considered that he lost his opportunity of getting the actual cash, and in lieu of that he acquired this interest in the plant. Of course, that was the terms of the original contract, which we did not negotiate.

The CHAIRMAN. About the original contract; who made that contract, who signed it, and who negotiated it?

Mr. McKEON. That was made by the officials in Washington. The district officials had nothing to do with it.

The CHAIRMAN. Do you know who signed it?

Mr. McKEON. I can furnish that for the record—the officials then in charge of the Fleet Corporation.

The CHAIRMAN. Mr. Piez?

Mr. McKEON. I do not believe Mr. Piez signed it.

The CHAIRMAN. Admiral Capps.

Mr. McKEON. I think that was done under Gen. Goethals.

The CHAIRMAN. How many other kinds of cost-plus contracts did they have down there while you were there?

Mr. McKEON. They had the other type of contract, allowing a fixed excess profit of \$15,000 per vessel regardless of cost.

The CHAIRMAN. Irrespective of the cost?

Mr. McKEON. Yes, sir.

The CHAIRMAN. And any others?

Mr. McKEON. That was the only type—that was to October 7—I believe it was understood to cover amortization of plant and \$8,000 profit. That was the way that \$15,000 fee was understood to be divided, although the contract did not specifically name those sums.

The CHAIRMAN. Amortization of the plant?

Mr. McKEON. Yes, sir.

The CHAIRMAN. Who built the plant?

Mr. McKEON. The contractors, under the lump-sum contracts.

The CHAIRMAN. And paid for them?

Mr. McKEON. Yes, sir.

The CHAIRMAN. That was only in cases where the contractors built their own plants?

Mr. McKEON. Yes, sir.

The CHAIRMAN. Do you remember how many contracts of that sort were made there for the lump sum?

Mr. McKEON. The Union Bridge revised contract was changed to that type from the original type of cost plus; likewise the Midland Bridge. The Southern Dry Dock; J. M. McCammon; Beaumont Shipbuilding & Dry Dock; the Lone Star; McBride & Law; the Universal Shipbuilding Co.; and Heldenfels Bros.

The CHAIRMAN. How about launchings down there? Did they allow any fees for launching or sponsors, the expenses incident to the launching ceremonies?

Mr. McKEON. We kept that down to practically a minimum, Mr. Chairman. The only allowance we would make was in the way of bouquets of flowers for the sponsor or minor expenses like that. There were no entertainments.

The CHAIRMAN. No jewelry furnished?

Mr. McKEON. No, sir; I do not believe in a single instance were there any presents of that nature made that I know of which were charged to the cost; if it was, it was on the outside.

The CHAIRMAN. Do you know of any interlocking contracts in connection with the construction of ships there; were there any contractors who had subsidiary concerns that they made contracts with for the furnishing of anything in connection with the ship construction?

Mr. McKEON. I do not think there were any interlocking contracts with ship-supply concerns. There were some of the contractors who had other business interests; two of them were bridge builders before taking up the fleet work. But there was no chance of interlocking in the way of purchasing materials that would be charged to the Government.

The CHAIRMAN. Do you remember whether there were any other instances of pay-roll padding than what you cited here yesterday?

Mr. McKEON. I believe I mentioned last night the case of Lone Star?

The CHAIRMAN. Yes, sir.

Mr. McKEON. There was another one I have a recollection of, the Southern Dry Dock; I do not know whether I mentioned that last night.

The CHAIRMAN. No; I think you only mentioned one instance.

Mr. McKEON. That case was prosecuted after I left the district, and I believe indictment and sentence passed upon the guilty party.

The CHAIRMAN. So that whoever was involved there was brought to the attention of the proper authorities and indictment made?

Mr. McKEON. Likewise the case of the Lone Star.

Mr. CONNALLY. I think you said the Union Bridge & Construction Co.

Mr. McKEON. They had an instance, too—the Union.

Mr. CONNALLY. Mr. McKeon, in the southern yards and the ones under your district, the wooden yards, I will ask you if it is not a fact that it was very difficult to secure either technical experts or skilled labor in the building of ships?

Mr. McKEON. Yes, sir; that was my observation.

Mr. CONNALLY. You said yesterday that there was considerable delay in the delivery of ships in all of these yards. Could you not say whether that was a large element in the matter of delay in getting the plants started and construction of ships started?

Mr. McKEON. Unquestionably, that and the inefficient help.

Mr. CONNALLY. That and the lack of efficient help is somewhat the same proposition. If you do not have expert help—

Mr. McKEON (interposing). You said delay in getting the plant started—building the plant?

Mr. CONNALLY. And the lack of expert assistance.

Mr. McKEON. Yes, sir.

Mr. CONNALLY. How many of these yards had been building ships immediately prior thereto?

Mr. McKEON. Only the National Shipbuilding Co.

Mr. CONNALLY. Some of them, I believe you say, two of them, had been in the bridge business?

Mr. McKEON. Yes, sir.

Mr. CONNALLY. The Southern Dry Dock, especially, was a new concern, was it not?

Mr. McKEON. A brand-new concern.

Mr. CONNALLY. Was there anybody connected with it that knew anything about building ships—I mean the incorporators?

Mr. McKEON. Not to my knowledge.

Mr. CONNALLY. In this instance of pay-roll padding with the Southern Dry Dock, you say the party was indicted, and you think convicted?

Mr. McKEON. That occurred after I left the district.

Mr. CONNALLY. Did the Southern Dry Dock ever deliver a ship?

Mr. McKEON. Yes, sir.

Mr. CONNALLY. How many did they deliver, do you remember?

Mr. McKEON. I believe four; but I will correct the record if I find I am wrong.

The CHAIRMAN. You will not have any chance to correct the record. This testimony is given under oath. You can be called by

the committee to correct anything that you find is erroneously stated, but you will not have an opportunity to revise your notes as you would in an ordinary committee hearing.

Mr. McKEON. Of course, Mr. Chairman—

The CHAIRMAN (interposing). I just wanted to bring that to your attention.

Mr. McKEON. I am doing the best I can in answering questions, and I did not want to appear that I was not doing my best, and that is the reason I stated the figures approximately.

Mr. CONNALLY. But if you are not sure about it, just say so.

Mr. McKEON. If I had had any notice I would have had the figures ready. The essentials of what I am telling you are facts; it is only these little details.

Mr. CONNALLY. You think, then, about four hulls were delivered by the Southern Dry Dock?

Mr. McKEON. That is my impression.

Mr. CONNALLY. Do you know what condition the Southern Dry Dock & Shipbuilding Co. is in after going through with this building program?

Mr. McKEON. My understanding is they were in very bad financial condition.

Mr. CONNALLY. Broke, were they not? I merely bring that out, Mr. Chairman, to show they were not making a big pile of money out of the Government; they are broke.

You stated that the National Shipbuilding Co. at Orange had lump-sum contracts throughout?

Mr. McKEON. Yes, sir.

Mr. CONNALLY. And that the Shipping Board had no trouble with them at all?

Mr. McKEON. Up to the time I left the district the relations with that contract went along very smoothly.

As I mentioned yesterday, I have heard since that they had some trouble with some of the boats in operation hogging; but that is the only intimation I have had of any trouble.

Mr. CONNALLY. What do you mean by "hogging?"

Mr. McKEON. A bend comes in the back of the boat.

Mr. CONNALLY. While you were there, I suppose you know the relations were satisfactory and the ships were delivered according to contract?

Mr. McKEON. Yes, sir—no, not according to the fixed date. There was delay there also, but there were no unpleasant relations in any way that I know of.

Mr. CONNALLY. Do you know whether or not these wooden yards were under difficulties by reason of the Government supplying them with what is called "green lumber" in many instances, lumber that was not sufficiently seasoned to go into ships, and that they were delayed by reason of that; do you know anything about that?

Mr. McKEON. I would not want to express an opinion on that. It is a fact that the green lumber was delivered though.

Mr. CONNALLY. Do you know whether or not green lumber is the right kind of lumber to put into ships?

Mr. McKEON. I would not think it would be as good as seasoned lumber, though I can say a lot of the lumber stood in the weather a lot of time before being used and had a chance to season.

Mr. CONNALLY. There was some testimony here some time ago—I do not know what witness it was—about some alleged diversion of funds by the Southern Dry Dock Co. Do you know anything about that—I mean by that there is some testimony in reference to a deposit which had been placed in bank by the Southern Dry Dock Company supposedly to constitute a controlled fund, and that later on that money was diverted from the real primary purpose for which it was deposited in the bank, to some other purpose—I do not mean fraudulently, but there was some diversion of the fund. Do you know anything about that?

Mr. McKEON. Do you wish me to explain in detail? It will be brief—

Mr. CONNALLY (interposing). You were in charge immediately of those kind of matters, were you not?

Mr. McKEON. Yes, sir.

Mr. CONNALLY. I will be very glad to have you go into that, unless the chairman objects.

The CHAIRMAN. Oh, no.

Mr. CONNALLY. I was not here before, and I would like to get that. All right, go ahead, Mr. McKeon.

Mr. McKEON. We deposited all of that contractor's progress payments into what was called the controlled account; withdrawals could only be made out of that upon countersigned checks, that is, the signature of the district office. The yard at Orange was quite a distance from Houston, and that entailed some delay in securing payments for pay rolls and vouchers that had to be made immediately.

The contractor applied to the district office for permission to have a free cash account, that is, to take a certain sum out of this controlled account and check it out only on his own signature. There was \$10,000 transferred at first for that purpose, which was later increased to \$25,000, as the \$10,000 was found to be inadequate.

The contractor, I have been advised by people who succeeded me in the district, had made some payments out of that account for purposes other than that for which it was opened, which was strictly for ship construction matters, meaning pay rolls, payment of freight to prevent demurrage and invoices that had to be paid to save discounts, and items of that kind. I have been advised that some of the money was used in the payment of a note, but I would have to get further details of just exactly how much.

Mr. CONNALLY. A note connected with the plant construction or the business, or a note for some outside transaction, if you know?

Mr. McKEON. I am not informed of the nature of the note.

Mr. CONNALLY. Do you know how much that amount was supposed to be, how much of a diversion?

Mr. McKEON. I would not want to state definitely, Mr. Connally; I will say, approximately it was \$20,000.

Mr. CONNALLY. Although the total sum was \$25,000?

Mr. McKEON. Was for \$25,000.

Mr. CONNALLY. Was there not anything toward the restitution of that sum?

Mr. McKEON. The contractor in final settlement would be charged with the amount of it, so that the Fleet Corporation would be protected in that; when we made final settlement he would be charged, as he may have been, with the amount of that fund which was advanced.

Mr. CONNALLY. Was that the only embarrassment suffered there?

Mr. McKEON. It would be the temporary use of funds.

Mr. CONNALLY. And perhaps the probability of the contractor falling down in ship construction by not having that fund?

Mr. McKEON. Yes, sir.

Mr. CONNALLY. I believe you said they did go on and deliver four boats?

Mr. McKEON. They did.

Mr. CONNALLY. Did they cancel any Southern Dry Dock ships?

Mr. McKEON. They had a supplemental contract changing the lump sum to cost plus basis, and my recollection is that they gave them four more boats, some of which were canceled.

TESTIMONY OF MR. JAMES TALBERT, ASSISTANT GENERAL COUNSEL AND CHAIRMAN CONSTRUCTION CLAIMS BOARD, EMERGENCY FLEET CORPORATION, WASHINGTON, D. C.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Where is your home, Mr. Talbert?

Mr. TALBERT. Cassville, Missouri.

The CHAIRMAN. What position do you hold with the Shipping Board or Fleet Corporation?

Mr. TALBERT. I am assistant general counsel and chairman of the construction claims board.

The CHAIRMAN. How long have you been with the organization?

Mr. TALBERT. Since the 14th of April, 1919.

The CHAIRMAN. And how long have you been with the claims board?

Mr. TALBERT. I have been with the claims board since the 15th of August, 1919.

The CHAIRMAN. What were you before that, acting simply as counsel?

Mr. TALBERT. I was assistant counsel when I first came with the Fleet.

The CHAIRMAN. Who appointed you?

Mr. TALBERT. Willard C. McNitt, who was at that time general counsel of the Fleet Corporation in Philadelphia.

The CHAIRMAN. Who appointed you for the claims board?

Mr. TALBERT. Judge Payne—why, I was recommended by Mr. McNitt, the general counsel, and I do not know whether my appointment was by Mr. Ackerson or by Judge Payne. It was confirmed anyhow by Judge Payne later on.

The CHAIRMAN. Have you passed upon the settlements since you have been on the claims board?

Mr. TALBERT. No, sir.

The CHAIRMAN. What was the policy with reference to settlements when you came to the claims board?

Mr. TALBERT. In August, 1919, and up until probably October or November, Mr. E. D. Levy was chairman, and the policy was a very liberal one. Most of the cases that were settled were cancellation claims, and we were supposed to settle them on the theory of just compensation, not as used in a technical sense or as known to a lawyer, but as would be interpreted by the ordinary citizen. In other words, we were to make general business, equitable settlements. That was the general policy that was secured at that time.

The CHAIRMAN. Up to October?

Mr. TALBERT. Yes, sir; as long as Mr. Levy stayed there.

The CHAIRMAN. Did you follow that policy?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. Were all claims that were settled submitted to your board at time?

Mr. TALBERT. No, sir.

The CHAIRMAN. What was there about claims, that took them out of the usual procedure, what kind of a claim was it that would not come to your board that would be settled by somebody else without your passing upon it?

Mr. TALBERT. We had jurisdiction to settle any cancellation claim against the corporation, but I presume in some instances where the contract was facing bankruptcy or had been sued, there was some extraordinary circumstance, and the higher officials considered was sufficient to take the case out of the regular line of cases and demand prompt and speedy attention, that the higher officials would take that matter up and settle that matter themselves, in order to avoid the delay of going through the claims board.

The CHAIRMAN. If they could do that in those cases what was the necessity of any claims board at all?

Mr. TALBERT. There would not have been if the executive office had had time to have gone into each case.

The CHAIRMAN. Do you think they had time to go into these cases that they did settle?

Mr. TALBERT. I doubt that very much.

The CHAIRMAN. After October, 1919, what was the policy and procedure followed?

Mr. TALBERT. To settle only on strict legal liability, hew right down to the line.

The CHAIRMAN. And were there any cases settled that were not submitted to the claims board after that time?

Mr. TALBERT. Yes, sir; I think so.

The CHAIRMAN. What was it that took them out of the usual procedure?

Mr. TALBERT. I presume the same reasons that I gave for the others, in other words—

The CHAIRMAN. The amount—I beg pardon.

Mr. TALBERT. Certainly, the executive officials of the corporation in establishing the claims board never intended to give up their jurisdiction in the matter. They only had delegated authority, and they probably reserved to themselves the right to settle.

The CHAIRMAN. You could only make recommendations; you could not make settlements; is that right?

Mr. TALBERT. The procedure has changed several times in regard to that.

The CHAIRMAN. I mean at that time, after October and prior to October, when you first went on the board, you could only make recommendations and could not make settlements.

Mr. TALBERT. We could make settlements if the vice president agreed with us.

The CHAIRMAN. Who was vice president?

Mr. TALBERT. Mr. J. L. Ackerson, but every settlement had to be agreed upon by the cancellations, claims, and contracts board and by Mr. Ackerson.

The CHAIRMAN. Were there some claims that were never submitted to your board at all?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. Did the Hog Island settlement ever come to your board?

Mr. TALBERT. No, sir. In the early stages of that, I presume the reason it did not come was that Mr. Levy, who was chairman of the board, was also one of the prominent officials of the Hog Island Co.—of the American International; and it would not have been well even for the other members of the board to have passed on that.

The CHAIRMAN. When was he an official of the American International?

Mr. TALBERT. I think he came to the American International in the latter part of 1917 or early part of 1918.

The CHAIRMAN. And then went over to the claims board as chairman?

Mr. TALBERT. Yes, sir; in July, 1919.

The CHAIRMAN. Then, did he go back to the I. M.?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. He went back to the I. M.?

Mr. TALBERT. Yes, sir; he was on the Hog Island pay roll all the time. As I understood it, he was simply loaned by the American International to the Fleet Corporation. He was considered a man of very exceptional ability.

The CHAIRMAN. The settlement was made with Hog Island after Mr. Levy left the claims board?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. While he was back with the Hog Island organization?

Mr. TALBERT. Yes, sir. He represented the company in the settlement, I think.

The CHAIRMAN. In the settlement of any of these claims submitted to your board, did you avail yourselves of the reports made by the department of investigation with reference to this?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. In every case?

Mr. TALBERT. In every case where they had anything to present.

The CHAIRMAN. How did you find out whether they had anything to present?

Mr. TALBERT. They notified us or we were notified through Mr. Ackerson. I know that there were a certain class of cases that we never intended to act upon or would not consider until we did have the report from the investigation department.

The CHAIRMAN. Was there any rule of procedure followed which automatically brought to your board the reports of the department of investigation upon the operations of these various contractors?

Mr. TALBERT. So far as I know, there was no definite procedure established by which the investigation department would know just what cases we were considering, nor did the claims board know just what matters the investigation department desired to report upon.

When I was made chairman of the board I called in Mr. Richardson, who was then at least the acting head of that department, and made an arrangement with him, which was agreeable both to him

and to me, by which every case that was filed, and when every claim was filed Mr. Richardson was notified that the claim was there, and then he was to go over that hurriedly and report back very shortly to me whether they desired to make a report on it. If I got notice that they desired to make a report, then we would hold the case in abeyance until they did report. But that was the beginning of that procedure.

The CHAIRMAN. Whether or not you found that reports from the department of investigation were helpful in the adjustment of claims, or whether they caused delay, or just muddled up the matter—

Mr. TALBERT (interposing). In some cases, of course, their reports were helpful, but I would say that in the large majority of the cases there was not much gained by the reports made by that department. I do not think they had sufficient stenographic force in order to systematize their material and get it in shape to be handled by the board.

The CHAIRMAN. So that the matters they reported were not detailed enough to really be of assistance to the claims board in arriving at a decision or in eliminating an item or reducing it, or holding up the settlements in many cases.

Mr. TALBERT. I would say in many cases the claims board did get much help. The charges or allegations were so general that we could not tie it down to any particular matter and take advantage of it.

The CHAIRMAN. And, of course, it was no part of the claims board work to make a further investigation, I suppose?

Mr. TALBERT. We always went on the principle from scrutinizing a case very carefully that was reported on by the investigation department.

The CHAIRMAN. Were these cases sent to you by the Department of Investigation properly briefed, or would it be just a lot of general allegations sent up, and you would have to go through them and pick out and see what you could find?

Mr. TALBERT. My memory is that in the Treenail cases I think their reports were rather specific, and there have been some irregularities of some fleet employees, and it was thought best to have the department investigate every case, and we would hold those cases until we received the report.

The CHAIRMAN. Did the department make an investigation in the Merrill-Stevens case and a report in that case?

Mr. TALBERT. No, sir; not prior to the settlement. I heard after the settlement was made that they had had that company under investigation.

The CHAIRMAN. Did your board recommend the settlement of that case?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. And was the settlement made upon the recommendations of your board?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. On the same terms that you recommended—agreed upon?

Mr. TALBERT. Yes, sir; that is my understanding.

The CHAIRMAN. Was the settlement later reopened?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. And has it been again settled?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. Upon different terms?

Mr. TALBERT. Yes, sir; the terms have been made more specific. I might explain to you the general procedure we followed. When a case is in settlement it is usually assigned to some member of the board, who makes a special investigation of that case. There are so many of them that the whole board acting in session can not go into details on account of time. One of the members of the board had been on this case for several months.

The CHAIRMAN. Who?

Mr. TALBERT. Mr. Weaver; and I would say that we were before the board of trustees on the settlement four or five times.

The CHAIRMAN. This was on the first settlement?

Mr. TALBERT. Yes, sir; and after the resolution was finally adopted, then the preparation of the contract of settlement was left in the hands of the legal department, under the general control of the general counsel.

The CHAIRMAN. They had a resolution to go by?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. And draw up the agreement for settlement.

Mr. TALBERT. Yes, sir.

The CHAIRMAN. Did the claims board handle the second settlement after it was reopened?

Mr. TALBERT. I think that was handled principally by the legal department.

The CHAIRMAN. By Judge Goff?

Mr. TALBERT. Yes, sir. The only thing that was added the second time it was up was the forcing of the Merrill-Stevens Co. to the agreement to insert an audit clause. It seems that the first contract was drawn without the audit clause, and the general counsel had not noticed that that was left out, and when it was brought to his attention that that was not in there he forced the Merrill-Stevens Co. to come in and execute a settlement, inserting that. Then later it was discovered that some of the deeds or conveyances were not in the form he had expected them to be, and he required them to clear up that situation. It was not changing the settlement, but it was trying to make the settlement to conform to what the resolution really was in the beginning.

The CHAIRMAN. Then it was resubmitted to the board?

Mr. TALBERT. I do not remember that it was resubmitted to the board, because the board did not approve the contracts.

The CHAIRMAN. I mean the claims board?

Mr. TALBERT. No; it was not resubmitted to the board?

The CHAIRMAN. It was just reopened for the purpose of having Judge Goff or somebody add the additional clause to the agreement?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. And when that was done, a new agreement was drawn up and settled on that basis?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. Do you know whether the contractors with that concern involved the loan of money or the advancement of money to the Merrill-Stevens Co. in taking some of their bonds which were afterwards found to have no value?

Mr. TALBERT. I do not know what value the bonds had, but in the early stages of the construction work certain moneys were loaned to the Merrill-Stevens, and these bonds were given as a part of the security on those loans; in addition to the bonds there were mortgages on the plants and property, and the bonds, as I remember it, were hypothecated; they were not signed over, but they were deposited with the Fleet under agreement that if the money was not repaid, then these bonds should be put up and sold, the contractor having been given certain notice.

The contract is very complex; I do not remember the details of it.

The CHAIRMAN. Were the bonds ever sold?

Mr. TALBERT. No, sir; in the general settlement they were returned to the Merrill-Stevens Co.

The CHAIRMAN. Was this company in good financial shape all through the prosecution of its contract?

Mr. TALBERT. No, sir; I think it was in very poor financial condition.

The CHAIRMAN. Did the company own its own plant?

Mr. TALBERT. Subject to mortgages, etc.

The CHAIRMAN. Did it build its own plant?

Mr. TALBERT. Built it out of money advanced by the Fleet.

The CHAIRMAN. Did they have a plant before?

Mr. TALBERT. They had what is known as the North Jacksonville plant, a repair plant.

The CHAIRMAN. How about the South Jacksonville plant?

Mr. TALBERT. I think that was built almost entirely out of Fleet Corporation funds; even the land, I think, was paid for with Fleet money.

The CHAIRMAN. And in the settlement this plant was taken back by the Fleet Corporation?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. They had paid for it, anyhow, had they not?

Mr. TALBERT. They had furnished the money; yes, sir.

The CHAIRMAN. Had the Shipping Board or Fleet Corporation been reimbursed for the money they furnished?

Mr. TALBERT. No, sir.

The CHAIRMAN. Who owned the land upon which the plant was erected?

Mr. TALBERT. I think the Merrill-Stevens Co. bought it, but I think the Fleet Corporation had a mortgage on it.

The CHAIRMAN. Do you remember whether or not in this settlement there was involved the removal of some materials from the South Jacksonville plant two or three weeks before the settlement was made?

Mr. TALBERT. I do not remember of that coming up before the settlement was made.

The CHAIRMAN. Do you remember it coming up after the settlement?

Mr. TALBERT. Yes, sir; I think Mr. Richardson mentioned the matter to me; that is being investigated at the present time. If there was any removed, the contract protects us, and we can still recover our money.

The CHAIRMAN. Is that concern in good financial condition now?

Mr. TALBERT. I think it would be good for a reasonable amount at the present time.

The CHAIRMAN. Is it operating its other plants?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. Are they building ships there?

Mr. TALBERT. No, sir; just repairing.

The CHAIRMAN. Repairing Fleet Corporation ships?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. And doing any business for other concerns?

Mr. TALBERT. I do not know. I understand they operate a general repair plant there.

The CHAIRMAN. Is Mr. W. J. Payne connected with that concern?

Mr. TALBERT. He is the president, I think, of the Merrill-Stevens.

The CHAIRMAN. Do you know whether there was any subsidiary or allied concern or corporation or company from which the Merrill-Stevens Co. purchased their materials or supplies?

Mr. TALBERT. No, sir; I do not know about that.

The CHAIRMAN. Mr. W. J. Payne is not related to Judge Payne at all?

Mr. TALBERT. No, sir.

The CHAIRMAN. Do you remember whether there is involved any excessive payments for ship plans upon which commissions were paid to Mr. W. J. Payne?

Mr. TALBERT. It was never called to my attention.

The CHAIRMAN. Did you ever see a letter from Mr. Cuthell to the effect that the Merrill-Stevens concern was in excellent condition?

Mr. TALBERT. I have seen that letter several months ago. I do not remember a statement of that kind in it. There may be, but I do not recall it.

The CHAIRMAN. You have seen what letter?

Mr. TALBERT. The Cuthell letter.

The CHAIRMAN. What was that letter? What was the purport of it?

Mr. TALBERT. The purport of it, I think, largely was a vindication of the acts and conduct of the Merrill-Stevens. It stated the expenses and costs had been very high there, but that Mr. Payne and the Merrill-Stevens Co. had been very badly treated by the Fleet Corporation officials. That was the general memory I have of it.

The CHAIRMAN. When was that letter sent, do you know?

Mr. TALBERT. I could not tell you the date of the letter. The letter was written before I ever came with the Fleet, I think.

The CHAIRMAN. Along in the early stages of their contract?

Mr. TALBERT. Yes, sir; there had been a great deal of trouble down at the Merrill-Stevens plant, and in the first place the contracts were made at a very low sum, and it is doubtful whether the contractor could ever have got out under the best conditions. It became necessary for the Fleet Corporation to advance money to build the ships, and we kept advancing, and they kept coming back for more money until, as the condition of one loan, the Fleet Corporation required them to practically turn over their plant to the Fleet Corporation, and the Fleet named a man, Mr. Cornbrooks, who had formerly been with the Bethlehem people at Sparrows Point; and under the agreement Cornbrooks was to go in and take full charge and control of the Merrill-Stevens Co.; and, if I remember correctly, Mr. Payne, the

president, nor the directors nor any of the old officers of the company, were not even allowed to go in their own plant or about it. As a condition for making this loan, we took over full charge and control. It afterwards developed that Cornbrooks was not on the job very much of the time, and costs were becoming very excessive, and the Merrill-Stevens Co. were sending in many letters and protests about the facts and the circumstances down there, and contending that they should not be held responsible for these excessive costs that were occurring under the jurisdiction of Cornbrooks, and I think that is the reason Cuthell and Cox were sent down there to investigate the matter.

The CHAIRMAN. Who is Mr. Cox?

Mr. TALBERT. He was manager of the ship and construction division, I think.

The CHAIRMAN. They made an investigation?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. Did they make a report?

Mr. TALBERT. The report was made, I think, through the Cuthell letter; I may not have all of these details and facts.

The CHAIRMAN. I understand.

Mr. TALBERT. But the report practically vindicated the Merrill-Stevens contention at the time.

The CHAIRMAN. That these excessive costs and the necessity for further loans from the Fleet Corporation were due to the acts of the Fleet Corporation's representatives?

Mr. TALBERT. Yes. Of course, the Fleet was technically taking the position that Cornbrooks was not its representative; that Cornbrooks was Merrill-Stevens' representative, because they agreed in the contract to turn it over to the man we named.

The CHAIRMAN. Did you ever have brought to your attention as a member of the claims board the Sloan Shipyards matter at Anacortes?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. That was another case where the Fleet Corporation put a man in charge of the yards and then took the position that technically he was not their representative?

Mr. TALBERT. Yes.

The CHAIRMAN. And practically the same thing happened up there?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. The costs went up and matters got into a muddle, and finally operations had to cease.

Mr. TALBERT. I would say that that was generally the condition; the more supervision and control exercised by the Fleet as a rule the worse conditions grew.

The CHAIRMAN. And the more it cost for the ships?

Mr. TALBERT. Yes, sir. I do not say that meaning that the Fleet was not content to do it, but Government operation always costs more than individual operation.

The CHAIRMAN. And it was just the same in the building and construction of ships under Government operation as it was in the operation of ships or other utilities, according to your observation and according to the facts in these various cases?

Mr. TALBERT. Yes, sir; that is my impression.

The CHAIRMAN. Were you familiar with the White Haven case?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. Is that a case where the claims board disallowed the claim of the contractor?

Mr. TALBERT. Yes, sir; it was disallowed several times by the claims board.

The CHAIRMAN. And eventually he was given \$30,000 cash in settlement?

Mr. TALBERT. That \$30,000 claim was never before the claims board. That was a claim on changes and extras, and under the regular procedure it first had to be passed on by the district manager, that was Mr. Martin over here at Baltimore. The contractor was not satisfied with Mr. Martin's findings. Then the case went to the manager of the construction division, Mr. Martin's superior officer, and while Mr. Pitt, who was manager of construction, was considering the case, he was called, I think, to Washington, and took the matter up directly with the board of trustees. The regular procedure would have been for Mr. Pitt to have made his report to the claims board, and then the claims board to have made a recommendation to the board of trustees. But I think Mr. Pitt made his report directly to the board of trustees or to one of the members of the board of trustees.

The CHAIRMAN. Do you remember who the officers of the White Haven concern were?

Mr. TALBERT. I know one of them, is all.

The CHAIRMAN. Who is he?

Mr. TALBERT. Mr. Robertson; I do not remember his initials; he was president, I think.

The CHAIRMAN. He is the only officer you know of that concern?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. What was the reason, if you know, why this item of \$30,000 went to the trustees directly and skipped the claims board?

Mr. TALBERT. I remember quite distinctly in that case that Mr. Robertson had been sued, and I think there was a petition filed to put the company in bankruptcy, and he was in very urgent need of funds, and I presume that is the reason that Mr. Pitt was asked to report directly to the board of trustees.

The CHAIRMAN. And who settled the claim eventually?

Mr. TALBERT. The board of trustees.

The CHAIRMAN. Who was chairman of the board at that time?

Mr. TALBERT. Admiral Benson.

The CHAIRMAN. Did your investigation of that matter—that is, the consideration which your board gave to the matter—develop that the Government or the Fleet Corporation owed them no money, from all the facts you had?

Mr. TALBERT. I made no investigation whatever of this \$30,000 claim.

The CHAIRMAN. No. I mean without that. Eliminating the \$30,000 item—what you did look into—what was the situation with reference to the White Haven Co. and the Fleet Corporation?

Mr. TALBERT. White Haven was admitted to the Fleet Corporation, oh—from \$75,000 to \$100,000.

The CHAIRMAN. And eventually, in settlement, they received further payment of some \$30,000.

Mr. TALBERT. I could not answer that; I do not know anything about how much actual cash they got.

The CHAIRMAN. You do not know the actual settlement?

Mr. TALBERT. No, sir.

The CHAIRMAN. After it was settled did it not come to you?

(No response.)

The CHAIRMAN. Who reopened it? You said it was opened several times.

Mr. TALBERT. I did not have reference to this \$30,000 claim at all.

The CHAIRMAN. No; I mean the settlement.

Mr. TALBERT. Well, we had no cancellations with White Haven; they simply had one claim, and that was a claim for excess wages; that was the claim I had reference to.

The CHAIRMAN. Yes, sir.

Mr. TALBERT. That we disallowed a number of times; that was the claim for \$102,000. That first came before the general cancellations, claims, and contracts board in Philadelphia, and after hearing Mr. Robertson the claim was disallowed. I do not remember whether a formal resolution was adopted at that time or not, but at least he was told it could not be allowed.

The CHAIRMAN. When Mr. Robertson came to the trustees were you asked by the trustees to send up your figures or the results of your consideration of the matter?

Mr. TALBERT. No, sir. I can tell you, I think, in a very few words the procedure that they went through on this White Haven matter.

The CHAIRMAN. I wish you would.

Mr. TALBERT. We had at that time what was known as the wage reimbursement committee, and it was composed of three men whose duty it was to determine how much was due on excess wages. After this claim was informally disallowed by the cancellations board in Philadelphia, Mr. Robertson took the claim up with the wage reimbursement committee here in Washington. The wage reimbursement committee passed a resolution disallowing the claim. Then they made a report on that—while they were not compelled to under the procedure at that time—they made a report of their disallowance and their findings to the construction claims board. The construction claims board then considered the case, and, of course, Mr. Robertson had been there and talked to the various members every time he could get opportunity. We understood all the conditions and facts in the case—and eventually the construction claims board passed a resolution confirming and agreeing with the report of the wage reimbursement committee in disallowing the claim, and that was the last that we had to do with it.

The CHAIRMAN. How thoroughly did you go into it, you and the reimbursement committee, so as to satisfy yourselves that that claim ought to be disallowed?

Mr. TALBERT. Well, we made a very exhaustive study of the case.

The CHAIRMAN. I mean the action of the wage reimbursement committee and the claims board was not snap judgment.

Mr. TALBERT. Oh, certainly not.

The CHAIRMAN. You went into it thoroughly?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. What was the claim for those excess wage cost based upon?

Mr. TALBERT. The ship construction contract, as drawn, provided that the wages be paid for work done under this contract shall be

the wages now being paid on the Atlantic coast, and I think it refers to some wage board. The language was a little peculiar in this contract, but it provided that the wages that should be paid should be those that were paid in the regular yards and under the regular rulings at the time that the contract was executed. The contractor, when he received the contract in that form, objected to it very much, because his yard was located out in the sticks, there in Maryland, some place, where he could get house carpenters and men who would work at a much cheaper rate than they were paying at these regular shipbuilding yards, and he went to the construction division in Philadelphia and called on Mr. Tebbetts, who was assistant to Mr. Hayworth, manager of wood ship construction, and told Tebbetts the condition that existed in his yard, and that if he agreed to pay those wages it would be a hardship on him, and that he would have to have an increase in price, and Mr. Robertson claims Tebbetts told him at the time, "Well, you go ahead and sign this contract, and we will fix that with you later on. You can not afford to hold off. You want to get to building; and you go ahead and sign the contract, and we will fix that up afterwards."

The CHAIRMAN. Yes.

Mr. TALBERT. And the whole claim is based on that. Mr. Robertson and his attorneys took the position that he was not bound by the contract, in view of the verbal statement made to him by a fleet employee.

We got an affidavit from Tebbetts, and in a limited way it corroborated what Robertson said, but not to the full extent; and we had one of our best lawyers go into the case very carefully and go to the library and make a report to us and give an opinion as to whether or not there was sufficient grounds to nullify the contract, or to set aside that provision regarding wages.

The CHAIRMAN. What did Hayworth say about it?

Mr. TALBERT. Hayworth was not consulted.

The CHAIRMAN. Who was the man?

Mr. TALBERT. He was the manager.

The CHAIRMAN. He was the man who told him to go ahead, was he not?

Mr. TALBERT. No; Tibbitts was the man.

The CHAIRMAN. Where did Hayworth come in?

Mr. TALBERT. Hayworth was Tebbetts's superior.

The CHAIRMAN. What did he tell him?

Mr. TALBERT. He told him—I would hate to quote what is in that letter.

The CHAIRMAN. I understood you to say—the reason I am asking, Mr. Talbert, is that I understood you to say that Hayworth told him to go ahead.

Mr. TALBERT. No; he did not talk with Hayworth when he went there. He went to Tebbetts, who was Hayworth's assistant, and he states the case a good deal stronger than Mr. Tebbetts does. In fact, when you take Mr. Tebbetts's statement, it does not give much help to the contractor, and we took position that as a legal proposition we had no right to re-form the contract.

The CHAIRMAN. Just a minute.

Mr. STEELE. Can you state, briefly, just to what extent his testimony was corroborated that he would be helped out on the contract?

Mr. TALBERT. Mr. Tebbetts states that Mr. Robertson did come to him and have a conversation with him, but he is very indefinite as to just what he told him. In other words, he does not corroborate fully Mr. Robertson. I can give you that letter and that affidavit.

The CHAIRMAN. Perhaps we would like to have them.

Mr. STEELE. It is very important, I think, to have them.

(The data requested of witness, together with letter of transmittal, is here printed in full.)

UNITED STATES SHIPPING BOARD,
EMERGENCY FLEET CORPORATION,
Washington, January 13, 1921.

HON. JOSEPH WALSH, M. C.,
House Office Building, Washington, D. C.

MY DEAR CONGRESSMAN: Pursuant to our understanding, I am sending you by special messenger a copy of the affidavit of Mr. G. E. Tebbetts concerning the verbal understanding had with Mr. Robertson, president of the White Haven Shipbuilding Co.

In order that you may fully understand the controversy in the case, I am also sending you a copy of the sworn testimony given by Mr. Robertson, and also a copy of the opinion of Col. J. A. Tyson upon the legal aspects of the case.

I should be glad to furnish you any further information upon request.

Yours, very respectfully,

JAMES TALBERT,
Chairman, Construction Claims Board.

Mr. Robertson first being duly-sworn by John A. Lutz, notary public for the District of Columbia, upon oath testified as follows:

Col. GOFF. What is your full name?

Mr. ROBERTSON. Hilton W. Robertson.

Col. GOFF. Where do you live, Mr. Robertson?

Mr. ROBERTSON. White Haven, Maryland.

Col. GOFF. What is your business or occupation?

Mr. ROBERTSON. Shipbuilder.

Col. GOFF. You entered into a contract with the United States Shipping Board Emergency Fleet Corporation in the year 1918?

Mr. ROBERTSON. Yes, sir.

Col. GOFF. How many contracts, if any, did you make with the Fleet Corporation?

Mr. ROBERTSON. One contract.

Col. GOFF. Did you have no more than one contract?

Mr. ROBERTSON. That is all.

Col. GOFF. What was the number or initial description of that contract?

Mr. ROBERTSON. No. 406-WBC.

Col. GOFF. Have you a copy of that contract with you?

Mr. ROBERTSON. No, sir.

Col. GOFF. Now, you make some claim growing out of an adjustment of labor—

Mr. ROBERTSON. Yes, sir.

Col. GOFF. — which you charge grew out of the making of the Contract #406-WBC?

Mr. ROBERTSON. Correct.

Col. GOFF. When was this contract signed, if you know?

Mr. ROBERTSON. The first week in October.

Col. GOFF. That is to say, the contract which you actually signed on the — day of October, but which was dated as of July 30, 1918, and which I now show you, was a contract in recognition of an order under which you had done work for the Fleet Corporation from July, 1918, until the — day of October?

Mr. ROBERTSON. Correct.

Mr. TALBERT. What position, if any, did you hold with the White Haven Shipbuilding Co. at the time of the giving of the order and signing of the contract above mentioned?

Mr. ROBERTSON. Fifty per cent owner and general manager.

Mr. TALBERT. The White Haven Shipbuilding Co. is a chartered company, I understand?

Mr. ROBERTSON. Yes, sir.

Mr. TALBERT. Who are the other charter members of the company, beside yourself?

Mr. ROBERTSON. W. A. Anders and George H. Larmore, of White Haven, Md.

Mr. TALBERT. Did either of the other owners conduct any negotiations with the Fleet Corporation?

Mr. ROBERTSON. No, sir.

Col. GOFF. Now state the circumstances under which this order, in recognition of which the contract dated July 30 was executed, was issued.

Mr. ROBERTSON. During July we received a letter from the Shipping Board asking us to build some of these wooden schooner barges, and we were sent some blue prints with which to figure our estimate from. We proceeded to figure our estimate on the scale of wages that our yard was then paying. I went to Philadelphia with this estimate and was told by the contract division that the board had agreed to pay \$190,000 per ship, which was about \$1,000 more than our estimate. The order was given to us, and a letter to that effect written to us.

Col. GOFF. By whom was that letter written?

Mr. ROBERTSON. The manager of wood ship construction division, Mr. James P. Heyworth.

Col. GOFF. Can you produce the letter?

Mr. ROBERTSON. No, I haven't it with me.

Col. GOFF. Where is the letter?

Mr. ROBERTSON. Down at the plant.

Col. GOFF. Can you send it in?

Mr. ROBERTSON. Yes, sir.

Col. GOFF. When?

Mr. ROBERTSON. By Monday.

Col. GOFF. Did you see anyone representing the Emergency Fleet Corporation after the receipt of that letter and before you went to Philadelphia?

Mr. ROBERTSON. Yes, sir.

Col. GOFF. Whom did you see?

Mr. ROBERTSON. James Berkerley.

Col. GOFF. Where did you see him?

Mr. ROBERTSON. Baltimore.

Col. GOFF. Who was he?

Mr. ROBERTSON. He was the district manager for the middle Atlantic district, called the third of the Shipping Board.

Col. GOFF. Why did you see him in connection with this letter to which you have just referred?

Mr. ROBERTSON. We had to operate under— Our yard was in his district.

Col. GOFF. What was the purpose of your seeing him before you had made a contract with the Emergency Fleet Corporation?

Mr. ROBERTSON. To get the plans with which to figure our proposal.

Col. GOFF. What were the details, in substance, of this letter which you will send to the Construction Claims Board?

Mr. ROBERTSON. The letter came to our plant saying that we were in a position to do work of this character in building these 2,500 ton wooden schooner barges, and that they would very much like us to file a proposal for building them for the Emergency Fleet Corporation. That is the substance of the letter.

Col. GOFF. Then, as I understand it, after the receipt of this letter you proceeded to Baltimore, saw the district manager, obtained information and plans he possessed, and went directly to Philadelphia to see the writer of the letter to which you have referred?

Mr. ROBERTSON. Correct.

Col. GOFF. Whom, if anyone, did you see in Philadelphia?

Mr. ROBERTSON. I saw Mr. R. E. Talbert of the contract division.

Col. GOFF. What, if anything, transpired between you and him relative to the proposal contained in the letter to which you have referred?

Mr. ROBERTSON. I figured my estimate and presented it to Mr. Talbert, and Mr. Talbert made the remark that my estimate was within a thousand dollars of what they agreed to pay, and he proceeded to have the order written and gave it to us for the construction of two ships.

Col. GOFF. Have you a copy of that order, or original order?

Mr. ROBERTSON. No, sir. You have a copy of that letter-order here.

Col. GOFF. Then the written communications between you and Mr. R. E. Talbert at the time of your first visit to Philadelphia are incorporated in the record papers of this claim now on file in the office of the Emergency Fleet Corporation, Washington, D. C.?

Mr. ROBERTSON. Yes, sir.

Col. GOFF. What did you do next after your interview with Mr. Talbert in Philadelphia?

Mr. ROBERTSON. The order was handed to me on that day. I went to Baltimore to see Mr. Beckerley, and showed him the order. He made a memorandum, marked it up on his map that the Wood Haven Shipbuilding Co. was to start work, and we

immediately started constructing two new launching ways and getting out the white oak timber for these ships.

Col. GOFF. What were you required to do by the terms of this order?

Mr. ROBERTSON. By the terms of this order we were required to cooperate with the district office in Baltimore, in reference to the lumber; they were to help us to place the orders with the mills best suited to supply this lumber. All the other material we purchased ourselves—the biggest portion of it from R. R. Hoffman Co., which gave us the best price.

Col. GOFF. Were there any clauses or terms in the order to which you at any time took exception?

Mr. ROBERTSON. No, sir; not in the order.

Col. GOFF. After the receipt of the order, to which you have referred, July 30, 1918, you returned, as you say, to your place of business and proceeded to construct two wooden barges for the Emergency Fleet Corporation.

Mr. ROBERTSON. Correct.

Col. GOFF. What scale of wages were you operating under in your yard on the 30th of July, 1918?

Mr. ROBERTSON. We were operating on our own basis rate on which our estimate was figured. We were paying our first-class carpenter 50 cents an hour, our second-class carpenter 40 cents an hour, and so on down. No man in our yard was getting more than 50 cents an hour—except our foreman who was getting 70 cents—and we worked from July 30th to the 1st of October on these rates.

Col. GOFF. As I understand it, in July, 1918, with the exception of the foreman who received 70 cents an hour, the maximum rate of wages paid the man employed in your yard was 50 cents an hour. What was the minimum rate paid at that time?

Mr. ROBERTSON. Twenty-five cents an hour.

Col. GOFF. Then between the 30th day of July, 1918, and the first week of October, 1918, the scale of wages paid in your yard was the scale to which you have just invited attention?

Mr. ROBERTSON. Yes, sir.

Col. GOFF. Now, when you were, as you say, presented with a contract during the first week of October, 1918, which related to the agreement existing between the White Haven Shipbuilding Company and the Emergency Fleet Corporation from the 30th day of July, 1918, until the date you received the contract, you discovered that Paragraph II of said agreement provided in the following words and figures the wages which were to be paid in your yard:

"11. It is agreed that the wages paid shall be those fixed by the Shipbuilding Wage Adjustment Board for the Atlantic Coast District and effective as of the date of this contract. In the event the adjustment board shall make any general increase in the scale of wages, the net increase in labor cost for the barges shall be borne by the owner, except as provided in section 13 hereof; in the event of any decrease the owner shall receive the sole benefit thereof. If Sunday, holiday, or overtime work be resorted to, it shall be without additional expense to the owner unless specifically authorized by the owner in advance."

Mr. ROBERTSON. The clause in the order stated we were protected on wage scale and freight rate in effect as of that date. The contract which we received the first week in October by paragraph 11 stated "the wages paid shall be those fixed by the Shipbuilding Wage Adjustment Board for the Atlantic coast district and effective as of the date of this contract."

Col. GOFF. In what respect, as far as you know, in October, 1918, did the scale of wages under which you were operating differ from the scale fixed by the Shipbuilding Wage Adjustment Board for the Atlantic Coast District, and which was to be made the effective scale by the terms of the agreement dated July 30, 1918, and, in fact, as you say, executed during the first week of October, 1918?

Mr. ROBERTSON. I have filed with the Wage Adjustment Board a copy of our weekly pay roll for the week ending October 2, showing the men, the numbers, and the rate that we paid on this specific contract. I also filed with this wage board a copy of our first pay roll for the week ending October 9, showing increases we were compelled to stand by reason of that clause in the contract.

Col. GOFF. Have you copies of these statements with you?

Mr. ROBERTSON. No, sir; they are here in this office in Washington.

Col. GOFF. By that you mean they were filed with the Wage Adjustment Board?

Mr. ROBERTSON. Yes, sir.

Col. GOFF. According to your best recollection, when did you physically execute the contract described as No. 406-WBC, and dated July 30, 1918?

Mr. ROBERTSON. October 4 or 5.

Col. GOFF. Did you know before you signed the contract, as you have stated, that paragraph 11 bound you to pay a different scale of wages than you did pay under the scale observed in your yard?

Mr. ROBERTSON. Yes, sir.

Col. GOFF. When did you first discover it?

Mr. ROBERTSON. Immediately upon the receipt of the original contract to be signed, which was mailed from the Philadelphia office September 30.

Col. GOFF. Did you sign it, or did you go to Philadelphia before you signed it?

Mr. ROBERTSON. I went to Philadelphia with the contract, refusing to sign it.

Col. GOFF. Whom did you see?

Mr. ROBERTSON. I asked for Mr. James O. Heyworth, in charge of wood-ship construction, and was referred to his assistant, Mr. George E. Tebbetts.

Col. GOFF. Did you see Mr. Tebbetts?

Mr. ROBERTSON. Yes, sir.

Col. GOFF. I will ask you if, at the time you saw Mr. Tebbetts, he was the assistant manager of the wood division of composite construction?

Mr. ROBERTSON. He was.

Col. GOFF. Who referred you to Mr. Tebbetts?

Mr. ROBERTSON. Mr. Heyworth's secretary, I suppose, or some gentleman in Mr. Heyworth's office, who stated that Mr. Heyworth was in a conference and Mr. Tebbetts would straighten out any matter.

Col. GOFF. Then you did not see Mr. Heyworth?

Mr. ROBERTSON. No, sir.

Col. GOFF. State whether you had ever met Mr. Tebbetts prior to the occasion to which you have just referred.

Mr. ROBERTSON. I don't think I had ever met him before.

Col. GOFF. Did you see him at the time and place in question?

Mr. ROBERTSON. Yes, sir.

Col. GOFF. State, if you will, what transpired—what, if anything, you said to him, and what, if anything, he said to you.

Mr. ROBERTSON. I asked for Mr. Heyworth, was referred to Mr. Tebbetts, and I objected to the clause in the contract compelling us to pay a wage which was different from our basic rate we were paying then in our yard and operating on this specific contract. I told him that I had never heard of a shipbuilding wage adjustment board and did not know what their rates were which would compel us to pay according to their clause in the contract. Mr. Tebbetts replied to go ahead and sign the contract as we had signed the order, and that the wage increase would be taken care of, as they were being taken care of on the Ferris type ships. He also stated that the contracts had been let for too low a price and all the board's contracts would be adjusted. And on the strength of that assurance we signed the contract.

Col. GOFF. At the time of this interview, did you have with you the order of July 30, 1918, authorizing you to proceed with the construction of the two wooden schooner barges?

Mr. ROBERTSON. I had the order with me and the contract.

Col. GOFF. Did you and Mr. Tebbetts at that time give any attention to paragraph 4 of such order, in the following language:

"Full protection to be given your company on labor and freight above existing Atlantic coast rates?"

Mr. ROBERTSON. Yes, sir.

Col. GOFF. What attention or discussion did you give to that clause?

Mr. ROBERTSON. I called Mr. Tebbetts's attention to the difference in the wording of the clause in the order merely stating we were protected, and the clause in the contract compelling us to do something.

Col. GOFF. Did you specify wherein the language of paragraph 4 of the order of July 30th differed from the provisions of paragraph 11 of the contract which you were requested to sign.

Mr. ROBERTSON. I did, yes sir.

Col. GOFF. State, please, as fully as you can, what you said by way of construction or interpretation, and what, if anything, Mr. Tebbetts said.

Mr. ROBERTSON. I stated that we were a non-union yard, we had always made our own rates, we had always worked ten hours a day, with the exception of three months a year during which we worked nine hours a day, that the order-clause, as I understood it, stated we were protected in the event we would have to pay a higher scale than we were then paying. Mr. Tebbetts stated that it was his understanding that the provision in the contract provides for that protection.

Col. GOFF. Did you at that time tell Mr. Tebbetts the scale of wages prevailing in your plant?

Mr. ROBERTSON. No sir.

Col. GOFF. Did you at that time make any effort to learn what was the existing Atlantic Coast rate?

Mr. ROBERTSON. Yes sir.

Col. GOFF. What did you do?

Mr. ROBERTSON. I went to Baltimore, called on Mr. Beckerly, told him that we both signed the original contract, asked him what the rates were, and he referred me to Mr. Overend's office. Mr. Overend wrote a letter to our plant setting forth the wages we were to pay. Mr. Beckerly told me that he would not OK another pay roll voucher unless it was at the rate of the Shipbuilding Wage Adjustment Board rate.

Col. GOFF. Was the rate of wages which you were then given in excess of the rate of wages which you had been paying?

Mr. ROBERTSON. Yes sir, very much so.

Col. GOFF. What then did you do?

Mr. ROBERTSON. We proceeded to increase each man's wages in the yard and paid the new scale of wages, and I have always been fighting with Philadelphia—Mr. Tebbetts's office—to get the adjustment on this contract whereby we would be taken care of for this excess wage.

Col. GOFF. What was the new scale of wages?

Mr. ROBERTSON. The new scale of wages increased every man in our yard from ten cents per hour to twenty-five cents per hour. First-class carpenter rate was seventy-four cents, second class was sixty-five cents, and carpenter's helper was forty-six cents, and so on down.

Col. GOFF. That was, as you understood it, the existing Atlantic Coast rate?

Mr. ROBERTSON. Yes, sir.

Col. GOFF. Now did you, at the time you obtained this Atlantic Coast rate from Mr. Overend, have in mind the provisions of section 4 of the order-letter of July 30, 1918, that you were to be protected on all labor charges over and above the existing Atlantic Coast rate?

Mr. ROBERTSON. We understood that we were to have our contract adjusted to take care of this added increase of wages we were compelled to pay.

Col. GOFF. You, of course, understood that the rate given you by Mr. Overend was the existing Atlantic Coast rate, and that it was not a rate over and above the existing rate, did you not?

Mr. ROBERTSON. Yes, sir.

Col. GOFF. Then the rate which Mr. Overend gave you at the time to which you have referred was not a rate above the existing rate by which in fact the existing Atlantic Coast rate, as you understood it.

Mr. ROBERTSON. I understood it that the existing rate was our basic rate—the rate we were paying in our yard. That was our existing rate, because I did not know that there had been a separate scale set down to govern shipyards doing this work.

Col. GOFF. I now call your attention to paragraph 4 of the order-letter of July 30, 1918, which guarantees your company full protection on all labor rates over and above existing Atlantic Coast rates, and ask you if that sentence does not mean that you were to be protected only when required to pay a labor rate in excess of the Atlantic Coast rate?

Mr. ROBERTSON. I understood that to be true, but figured that the word "protection" did not include our yard, because we are a nonunion yard, and this clause in paragraph 4 of the order stated we were protected. Now that clause does not say you have got to do so and so, and having that in mind, I paid no attention whatever to that view of the order to be given our company, but I did object to the clause in the contract compelling us to pay this scale.

Col. GOFF. Then the language of the section 4 of the order-letter of July 30 is in no sense inconsistent with the language in paragraph 11 of the contract of July 30, 1918, binding you to pay the rate fixed by the shipbuilding wage adjustment board?

Mr. ROBERTSON. They are not the same clauses, and I never interpreted them to be the same.

Col. GOFF. Well, now you are required by section 11 of the contract of July 30 to pay in your yard the scale of wages fixed by the shipbuilding wage adjustment board?

Mr. ROBERTSON. Yes, sir.

Col. GOFF. You were told in the order-letter of July 30, in paragraph No. 4, that your company would be protected on all labor scales over and above the existing Atlantic coast rates?

Mr. ROBERTSON. Yes, sir.

Col. GOFF. You understand by the language of the order-letter that if you were required by any labor organization to pay a rate over and above the rate fixed by the

shipbuilding wage adjustment board, that then you would be protected, and only then. Is that your understanding?

Mr. ROBERTSON. Yes, sir.

Col. GOFF. Now, did you have any other or further conversation with Mr. Tobbetts other than what you have set forth?

Mr. ROBERTSON. No, sir; because Mr. Tebbetts left the Fleet Corporation shortly after.

Col. GOFF. Will you state again, as nearly as you can recall it, the conversation, the exact language you used in objecting to the contract of July 30 because it required you, in paragraph 11, to pay a wage to be fixed by the shipbuilding wage adjustment board for the Atlantic coast district at the time you complained concerning this provision to Mr. Tebbetts, in the first week of October, 1918.

Mr. ROBERTSON. Immediately upon receipt of this contract, I took it and the order to Philadelphia, asked to see Mr. Heyworth, was referred to Mr. Tebbetts. I objected to the clause in the contract compelling us to pay a scale of wages fixed by a Shipbuilding Wage Adjustment Board which was different from our clause in the order. Mr. Tebbetts stated to me that it was all right to sign the contract, that we would be taken care of by the added increase of wages we were compelled to pay as all Ferris type ship contracts had been taken care of. He also stated that all of the barges had been let too low and all of the contracts would have to be adjusted. These were his two statements. On the strength of his statements we signed the contracts.

Col. GOFF. Where did you sign it?

Mr. ROBERTSON. At White Haven.

Col. GOFF. Did you ever have any paper writing of any character or description embodying this conversation between you and Mr. Tebbetts?

Mr. ROBERTSON. Yes, sir. Mr. Tebbetts subsequently reduced to writing his recollection of the conversation in the form of a statement which I now call to your attention.

Col. GOFF. The paper which you now hand me is in form an affidavit setting forth the recollection of Mr. Tebbetts?

Mr. ROBERTSON. Yes, sir.

Col. GOFF. This affidavit dated January 6, 1920, was executed under what circumstances?

Mr. ROBERTSON. I was told by Mr. Gillen that if Mr. Tebbetts would give an affidavit to the fact that he stated we would be taken care of in the increased cost of wages—I told Mr. Gillen I could get an affidavit from Mr. Tebbetts, which I proceeded to do.

Col. GOFF. And this is the affidavit (producing the affidavit and showing it to Mr. Robertson)?

Mr. ROBERTSON. Yes, sir.

Col. GOFF. You are familiar with its contents?

Mr. ROBERTSON. Yes, sir.

Col. GOFF. Does it set forth the complete conversation and understanding which you had with Mr. Tobbetts in October, 1918?

Mr. ROBERTSON. In substance; yes, sir.

Col. GOFF. Do you now recall any other fact or circumstances not embodied in this paper, and to which you can testify at this time?

Mr. ROBERTSON. Well, on two occasions after this contract was signed I was in Philadelphia, and Mr. Tebbetts stated that they were proceeding to adjust all their wooden barge contracts.

Col. GOFF. Your answer is not responsive to my question which is aimed at inquiry whether, in the conversation covered by the affidavit of Mr. Tobbetts, any further conversation or matter was discussed which he does not refer to.

Mr. ROBERTSON. In substance the affidavit embodies the entire conversation and understanding which Mr. Tebbetts and I had in October, 1918.

Col. GOFF. Did you at any time after July 30, 1918, other than the conversation of October of that year, discuss with any member of the Emergency Fleet Corporation the subject of wage protection under your contract?

Mr. ROBERTSON. At every time I went to Philadelphia on business I always made it a point to see some official of the Shipping Board in reference to the promise of Mr. Tebbetts that we would be taken care of in the increased wages we were paying. I stated on numerous occasions that if we had to pay the increased wages the ships could not be built for \$190,000, but was always told that it would be in the nature of a claim and would have to be filed as such. Now, during all of that time there was no adjustment made, the contract price was spent, and the ships not completed.

Col. GOFF. Did you have any conversation with any officer of the Fleet Corporation in the year 1919 concerning wage protection?

Mr. ROBERTSON. Yes, sir.

Col. GOFF. When?

Mr. ROBERTSON. August.

Col. GOFF. With whom?

Mr. ROBERTSON. With the district officers in Baltimore and Philadelphia.

Col. GOFF. Did you talk to any officer at the head of any of the departments of the Fleet Corporation in Philadelphia?

Mr. ROBERTSON. Yes. I talked with Mr. McNary and Mr. R. E. Talbert, and also Mr. Pitts.

Col. GOFF. What did you say?

Mr. ROBERTSON. I explained to them the condition which we had operated under, why the contract price had been spent, and why the ships had not been completed. I told them that the biggest item for claim was excess wages we were compelled to pay by reason of the clause in our contract which was not figured in our estimate; and on the strength of the claims for changes and extras and the excess wages the supplemental agreement was drawn. I stated then the wage increase should be mentioned in the supplemental agreement, as Mr. Tobbetts has stated we would be protected on it, and was told by Mr. McNary and Mr. Pitts that it was a claim and for us to file a claim and the claim board would act on it. I might further add that after filing the claim for the excess wages I was referred from the board office to Philadelphia to the wage-reimbursement board; and it was the unanimous opinion of the board that it was not a wage-reimbursement matter, but a claim for the claims board; and Mr. Pitts, chairman of the wage-reimbursement board, dictated a letter to the Baltimore office in my presence, stating that it was a claim for the claims board to act upon, and not a matter for the wage-adjustment board to consider.

Mr. TALBERT. Your contract provided protection for all increases over the Atlantic Coast rate at the date of the contract, did it not?

Mr. ROBERTSON. Yes, sir.

Mr. TALBERT. There was an increase in the rates after that date, was there not?

Mr. ROBERTSON. Yes, sir.

Mr. TALBERT. Called the Second Macy Award?

Mr. ROBERTSON. Yes, sir.

Mr. TALBERT. You were given protection on that award, were you not?

Mr. ROBERTSON. Yes, sir.

Mr. TALBERT. I now call your attention to a letter dated June 16, 1920, signed by George L. Tirrell, and addressed to Martin J. Gillen, on the subject of your claim, in which Mr. Tirrell states:

"We hereby certify that excess wage under second Macy award was paid under Contract 406-WBC with the White Haven Shipbuilding Co."

The letter I have just read refers to the second Macy award which you did get protection on, did you not?

Mr. ROBERTSON. Yes, sir; we were reimbursed each week. The first Macy award went into effect in April, 1918, which increased the carpenters' and laborers' wages from the basic rate of a shipyard to conform with the shipbuilder's labor adjustment board rate. The second award went into effect November 1, 1918, and was retroactive to October 1, 1918, which was another increase over the first award. The White Haven Shipbuilding Co. did not know of a Macy award at the time we figured the estimate to build these barges, and we proceeded to build these barges, from July 30 until October 1, on our own basic rate in our yard. We were stopped paying at our basic rate by reason of a clause in the contract, handed to us in October, consequently the White Haven Shipbuilding Co.'s employees received the increase in October to the basic rate of the first award, and then on November 1 they received the second increase from the first award to the second Macy award.

Col. GOFF. The Macy award was the name of the man who fixed all of the Atlantic coast rates?

Mr. ROBERTSON. Yes, sir.

Col. GOFF. You did not know of the Macy award during the interim between July 30 and the date in October, 1918, when you received your contract?

Mr. ROBERTSON. No, sir.

Col. GOFF. During that time you operated under the basic rate existing in your yard?

Mr. ROBERTSON. Yes, sir.

Col. GOFF. You never at any time paid the labor there employed on a scale equal to the first Macy award?

Mr. ROBERTSON. No, sir.

Col. GOFF. In other words, the first Macy award never affected you in any way?

Mr. ROBERTSON. No, sir.

Col. GOFF. The first Macy award prevailed from April, 1918, to November 1, 1918?

Mr. ROBERTSON. The first Macy award prevailed from April, 1918, to November 1, 1918—yes, sir.

Col. GOFF. You did not observe that award, except during the month of October, 1918?

Mr. ROBERTSON. Correct.

Col. GOFF. On November 1, 1918, the first Macy award was succeeded by what is referred to as the second Macy award?

Mr. ROBERTSON. Yes, sir.

Col. GOFF. After the second Macy award went into effect you were paid by the Emergency Fleet Corporation for the excess wage of the second award over the first?

Mr. ROBERTSON. Correct.

Col. GOFF. You have never been paid at any time the excess rate of the first Macy award over and above your basic wage scale?

Mr. ROBERTSON. No, sir.

Col. GOFF. You have therefore paid since October 1, 1918, a wage based on the second Macy award?

Mr. ROBERTSON. Yes, sir.

Col. GOFF. The Emergency Fleet Corporation has allowed you, as your claim, the difference only which represents the excess of the second award over the first?

Mr. ROBERTSON. Yes, sir; correct.

Col. GOFF. Therefore, your claim against the Emergency Fleet Corporation for increased wages is based on the difference between your basic rate and the first Macy award?

Mr. ROBERTSON. Yes, sir.

Col. GOFF. And this claim dates from October 1, 1918?

Mr. ROBERTSON. Yes, sir.

Col. GOFF. What is the amount of that claim?

Mr. ROBERTSON. \$51,212 for each ship.

Col. GOFF. So, in a word, from and after November 1, 1918, your wage scale exceeded your basic wage scale by the increased amounts as represented by the first and second awards?

Mr. ROBERTSON. Yes, sir.

Mr. TALBERT. What official position do you hold in the Fleet Corporation, Mr. Tirrell?

Mr. TIRRELL. Chairman of the committee on wage reimbursement.

Mr. TALBERT. How long have you been connected with the committee?

Mr. TIRRELL. Since its establishment by the Board by resolution adopted, I think, March 21, 1920.

Mr. TALBERT. Prior to the time you were a member of the committee passing on the same kind of claims?

Mr. TIRRELL. Yes; I have been a member of the present committee on wage reimbursement and its predecessors which were delegated to work in the same field since Vice President Ackerson first appointed a committee in May or June, 1919.

Mr. TALBERT. Was this claim ever presented to your committee in Philadelphia?

Mr. TIRRELL. It was presented informally by Mr. Robertson, not as a claim, but by way of conversation with Mr. Pitts, then chairman of the committee.

Mr. TALBERT. What action was taken by your committee?

Mr. TIRRELL. Mr. Pitts decided that it was not within the scope of the work of the committee as it existed at that time, and referred the case to the cancellations, claims and contract board.

Mr. TALBERT. Have you seen and examined the affidavit made by Mr. Tebbetts in connection with an oral conversation alleged to have been had about the time of the signing of the contract in October, 1918?

Mr. TIRRELL. I have seen Mr. Tebbetts's affidavit which states in its own body that the conversation with Mr. Robertson took place at the time the Wood Haven Shipbuilding Co. made its first estimate and bid, namely, July 5, 1918, and not at the time of the signing of the contract which was in early November, 1919.

Mr. TALBERT. Then, as you understand it, the affidavit of Mr. Tebbetts relates wholly to a conversation had at the time Mr. Robertson bid on the barges.

Mr. TIRRELL. Yes.

Mr. TALBERT. And does not relate to any conversation had at the time the contract was actually signed?

Mr. TIRRELL. That was my understanding.

Mr. TALBERT. After this claim was referred to your committee in Washington, did you get in communication with Mr. Tebbetts?

Mr. TIRRELL. Yes, sir.

Mr. TALBERT. Did you send him a letter and a telegram?

Mr. TIRRELL. I sent him both a letter and a telegram. I addressed the letter to the York River Shipbuilding Co., care of Stone and Webster, Boston, Mass.

Mr. TALBERT. Do you identify the telegram which I now read as the telegram which you sent to Mr. Tebbetts?—

WASHINGTON, D. C., May 3, 1920.

G. E. TOBBETTS,

*Care of Stone & Webster,
Boston, Mass.*

Did you on behalf of the Fleet Corporation, at time contract with White Haven Shipbuilding Co. was signed, promise Mr. Robertson he would receive, either as excess wage reimbursement or in form of increased contract price, difference between rates which he was paying his men at time bid was made and any increase he was required to make as a result of first Macy award stop. Did you promise Mr. Robertson readjustment of his contract regarding lump-sum price with definite stipulation as to adjusted price?

GEORGE L. TIRRELL,

Chairman Wage Reimbursement Committee, Building C, Sixth and B Streets, S.E.

Mr. TIRRELL. Yes, that is the telegram I sent.

Mr. TALBERT. Do you identify the letter which I now read as the letter which you sent to Mr. Tebbetts?—

APRIL 20, 1920.

Mr. C. E. TOBBETTS,

Care of Stone & Webster, Boston, Mass.

DEAR MR. TOBBETTS: Mr. Hilton W. Robertson, President of the White Haven Shipbuilding Co., has presented certain claims to the Emergency Fleet Corporation, alleged to be due under Contract 406 WBC for two 2,500-ton schooner barges.

Among these claims Mr. Robertson asserts that he is entitled to approximately \$51,000 per ship on account of the difference between the wage rates upon which his bid was based and those prescribed in the first Macy award.

The following statement is a quotation from a memorandum made from Mr. Robertson's statement:

"Mr. Robertson states that upon receipt of the formal contract on or about October 1, 1918, and before signing same, he went immediately to Philadelphia and saw Mr. J. C. Heyworth, manager of the Division of Wood Ship Construction, who referred him to Mr. Tebbetts, one of Mr. Heyworth's assistants; that he told Mr. Tebbetts that he would not sign the contract at the price of \$190,000 with the provision above referred to as to the payment of Macy scale wages, but that Mr. Tebbetts urged him to sign, saying that it was recognized that the price was too low and that the contract would be later revised along with others of similar character which had been and were being entered into. Mr. Robertson states that upon Mr. Tebbetts's assurances that the contract would be revised, he signed it and he now presents an affidavit made by Mr. Tebbetts on January 6, 1920 * * *."

This committee has examined the affidavit made by you on January 6, 1920, which states that Mr. Robertson asked you as to the increased wages protection over and above the rates he was paying at the time he made his bid and that you told him it was your understanding that this matter would be handled in the same manner as in the case of the Ferris ship contracts. The affidavit further states that this statement was made by you at the time Mr. Robertson made his bid.

This does not agree with Mr. Robertson's statement as set forth in the above quotation of memorandum that he had a conference with you at the time of signing the contract approximately three months after the bid was filed and that he was specifically told that the price was too low and that the contract would be revised.

Did you, on behalf of the Fleet Corporation at the time the contract was signed, promise Mr. Robertson that he would receive, either as excess wage reimbursement or in the form of an increased contract price, the difference between the rates which he was then paying his men at the time the bid was made and any increase he was required to make as a result of the first Macy award?

Did you, on behalf of the Fleet Corporation, promise Mr. Robertson a readjustment of his contract regarding the lump sum price with a definite stipulation as to the adjusted price?

Will you please answer those questions as soon as possible as a settlement of the claims of the White Haven Shipbuilding Co. is now pending before the board of trustees. As your statement may be used as evidence in settling these claims, will you kindly make it in affidavit form.

GEORGE L. TIRRELL,

Chairman Wage Reimbursement Committee.

Mr. TIRRELL. Yes; that is the letter I sent.

Mr. TALBERT. Two separate efforts were made to reach Mr. Tebbetts—the first on April 20, 1920, and the second on May 3, 1920. The letter I have just read is a copy of the letter you sent Mr. Tebbetts at the York River Shipbuilding Co., and he replied to that letter, did he not?

Mr. TIRRELL. Yes, sir.

Mr. TALBERT. What reply, if any did you get from Mr. Tebbetts to your telegram and letter?

Mr. TIRRELL. On May 5 I received this letter from Mr. Tebbetts:

"Your letter of April 22 just received.

"In regard to the contract of the White Haven Shipbuilding Co. would say that you undoubtedly have a copy of the affidavit made by me on January 6, 1920. This covers my remembrance on the proposition."

Mr. TALBERT. In the affidavit of Mr. Tebbetts it is stated: "I said that it was my understanding that the wage increase would be handled in the same manner as the excess wage in the Ferris ship contracts, and that protection would be given." Please state for the record how the Ferris ship contracts were handled and what protection, if any, were given to such contractors.

Mr. TIRRELL. In several cases the Ferris ship contracts were amended from the original form to carry an increased lump sum price, which increase in lump sum price was intended to cover, among other things, all increases in wage which had been imposed upon contractors up to the time the amended contracts were entered into.

Mr. TALBERT. Are the Ferris ship contracts similar to this one in that they were required to pay the Macy scale on the date mentioned in the contract?

Mr. TIRRELL. They are substantially the same in Ferris ship contracts as in these barges.

Mr. TALBERT. Was protection given the Ferris shipbuilders in cases similar to this, where there was no contractual obligation requiring it?

Mr. TIRRELL. The only protection given in the Ferris ship contracts entered into after the first Macy award was increases in wages to be imposed by the corporation after the contract was entered into.

Mr. TALBERT. But did the corporation reimburse the Ferris shipbuilders for the difference between the first Macy award and what they had been paying before any Macy award was established, or before they took Government contracts?

Mr. TIRRELL. I know of no cases where that has been done.

Mr. TALBERT. Can you state briefly what Mr. Tebbetts refers to in his affidavit regarding the Ferris shipbuilders?

Mr. TIRRELL. In my opinion Mr. Tebbetts had no definite policy or plan in mind. The question of whether or not the lump sum price for Ferris hulls was too low was being considered very thoroughly by officers of the Fleet Corporation. There had been no definite conclusion reached. I believe that Mr. Tebbetts meant that if a definite policy should be worked out regarding treatment of the Ferris hull contracts it would apply to barge contracts as well.

Mr. TALBERT. Could he have referred to the changing of the lump-sum contracts to cost-plus contracts?

Mr. TIRRELL. In my opinion he could not have referred to that.

Mr. TALBERT. Do you know approximately how many contracts for barges were awarded about the same time this contract was given to the White Haven Shipbuilding Co.?

Mr. TIRRELL. There were two other contracts exactly similar to the White Haven. They were to the Crookes Co. and the Coastwise Co.

Mr. TALBERT. But all the contracts were given at the same price and the provisions of the contracts were substantially the same?

Mr. TIRRELL. I think the provisions of these three contracts are exactly the same.

Although this contract was entered into by the White Haven Shipbuilding Co. and signed by Mr. Robertson in November, 1918, the present claim was not suggested or formulated by the White Haven Co. until approximately one year later when it had become evident that the White Haven Co. would not be able to finish its contract within the lump-sum price. Although the circumstances surrounding the Crookes contract and the Coastwise contract are exactly similar, neither the Crookes nor the Coastwise Co. has even suggested a claim of this character.

Mr. TALBERT. What legal opinion or advice did you have when this was determined by your Board?

Mr. TIRRELL. As a member of the board we have Col. Tyson, who is assigned as a member of the committee with particular instructions to represent the general counsel, and Col. Tyson advised the committee that, in his opinion, there was no legal basis for any claim.

The UNITED STATES SHIPPING BOARD,
Lexington Building, Baltimore, Md.

GENTLEMEN: This is to advise that at the time Mr. Robertson of the White Haven Shipbuilding Co. bid upon the 2,500-ton coal barge he asked me as to increased wage protection over and above the rates he was paying at the time he made his bid. I said that it was my understanding that the wage increase would be handled in the same manner as the excess wage in the Ferris ship contracts and that protection would be given. The plans and specifications for the 2,500-ton coal barge were not complete at that date. The price in the contracts is lower than the price recommended by the manager of the Wood Ship Division, dated June 1, 1918, to Mr. Howard Coonley, vice president, copy of which is attached hereto. This recommended price agreed with my idea of fair price for the 2,500-ton coal barge.

Very truly, yours,

G. E. TEBBETTS.

Subscribed and sworn to before me this 6th day of January, 1920.

[SEAL.]

J. LARCOM OBER, *Notary Public*.

My term expires January 16, 1925.

JUNE 1, 1918.

Memo. to: Mr. Howard Coonley, vice president.

From: Mr. James O. Heyworth, manager division wood, composite, and concrete ship construction.

Subject: Recommended allotments for 200 or less 2,500, 3,000, and 3,500 dead-weight tonnage wooden barges.

The plans, specifications, and bill of material for same are now being prepared by Mr. T. E. Ferris at his New York office.

NOTE.—Contractors listed in line of preference.

Name and post-office address.	Location of yard.	Number of barges.
A. Bentley Co., Toledo, Ohio.....	Jacksonville, Fla.....	20
Bates & Rogers Construction Co., Old Colony Building, Chicago, Ill., or Washington, D. C.....	St. Andrews Bay, Fla.....	20
Missouri Valley Bridge Co., Leavenworth, Kans.....	Galveston, Tex.....	20
F. W. Salmen, care of Salmen Brick & Lumber Co. (Ltd.), New Orleans, La.....	New Orleans, La.....	10
Inland Waterways Equipment & Dredging Co., Baldwinsville, N. Y.....	Baldwinsville, N. Y.....	10
Kiernan & Kern, Portland, Ore.....	Portland, Ore.....	10
Winston Bros., Minneapolis.....	Portland, Ore.....	10
Tarver Shipbuilding Corporation, Beaumont, Tex.....	Beaumont, Tex.....	5
Walsh Construction Co., Davenport, La.....	Beaumont, Tex.....	5
Oceanic Shipbuilding Co., Portland, Ore.....	Portland, Ore.....	5
J. T. Walbridge Engineering Co., 6 N. Michigan Avenue, Chicago.....	Portland, Ore.....	5
Liberty Construction Co., 18 Tremont Street, Boston, Mass.....	Morgan City, La.....	5
Columbia Engineering Works, Portland, Ore.....	(South Atlantic coast).....	5
Kelly-Spear Co., Bath, Me.....	Portland, Ore.....	5
Crovinshield Shipbuilding Co., Fall River, Mass.....	Bath, Me.....	2
New Castle Building Co., Damariscotti, Me.....	Fall River, Mass.....	3
Francis Colb, Rock Port, Me.....	Damariscotti, Me.....	4
Percy & Small, Bath, Me.....	Rock Port, Me.....	2
Narragansett Shipbuilding Co., Tiverton, R. I.....	Bath, Me.....	2
Maine Shipbuilding Co., South Freeport, Me.....	Tiverton, R. I.....	2
Smith, Terry & Co., 11 Broadway, N. Y.....	South Freeport, Me.....	3
White Haven Shipbuilding Co., White Haven, Del.....	Bethel, Del.....	2
Chance Marine Construction Co., Annapolis, Md.....	White Haven, Del.....	5
Coastwise Shipbuilding Co., Baltimore, Md.....	Annapolis, Md.....	3
American Shipbuilding & Dry Dock Co., Beaufort, N. C.....	Locust Point, Baltimore, Md.....	5
Georgia Shipbuilding Co., Savannah, Ga.....	Beaufort, N. C.....	5
Brunswick Shipyards (Inc.), Brunswick, Ga.....	Savannah, Ga.....	5
Liberty Shipbuilding Co., 29 Broadway.....	Brunswick, Ga.....	5
Bagdad Shipbuilding Co., Pensacola, Fla.....	Back Bay, Biloxi, Miss.....	5
Houston Shipbuilding Co., Houston, Tex.....	Pensacola, Fla.....	5
Darian Shipbuilding Co., Darian, Ga.....	Houston, Tex.....	8
Concrete Ship & Barge Co., St. Marys, Ga.....	Darian, Ga.....	2
	St. Marys, Ga.....	2
Total.....		200

Relative to placing these contracts I suggest the following matters be duly considered:

1st. Sufficient plans and specification and bill of material be attached to each contract when executed. Bill of material should be approved by this division before the contract is signed or orders for lumber placed.

2d. That either the contractors for barges be allowed to purchase their own timber at a price fixed by the purchasing officer at Washington, and with such mills as the lumber administrator of the Emergency Fleet Corporation shall approve, or the order for the material having been placed by the lumber administration, that the contractor be given the name of the mill in order that he can keep in touch with and follow up same.

In the order of preference these contractors have been selected for their ability and experience in doing rush work.

The contractor to furnish building site free. To be paid a reasonable rental on ordinary contractors' equipment furnished by him. All other expenses to be paid by the Emergency Fleet Corporation—fixing two items—overhead and a profit not to exceed \$15,000 per barge. Time being the essence of the contract, four or five weeks can be gained by letting the contracts on a cost plus a fixed fee recommended above. This is due to the fact that the contractors can start at once on site, buildings, and machinery, not having to wait for completion of plans, figuring of bids, and awarding of contracts. If barges are to be let on a fixed sum, \$85 per ton is about right. The time of completion to be three months from laying of the keel.

As in previous memoranda, this division does not think it wise to put a bonus or penalty clause in the contract. The Emergency Fleet Corporation as a rule have undertaken to furnish so much material and invariably have been behind, that the contractor holds us for the delay, and immediately begins to set up delays and costs. A clear-cut issue will save us much auditing and many conferences. To date I can not see how any bonus or penalty clause can work in any wood ship contract that we have had.

Methods of handling lumber for the new wood ship and barge program are to be discussed with Mr. Piez on Friday of this week. Unless the Emergency Fleet Corporation lets its lumber orders in a different manner than heretofore, we will have another mix up and delayed program. Certain clauses in the contract should refer to this subject, which should be made definite.

Manager Division Wood, Composite, Concrete, Ship Construction.

UNITED STATES SHIPPING BOARD,
Washington, June 21, 1920.

From: J. A. Tyson, assistant counsel.

To: Col. Guy D. Goff, general counsel.

Subject: Claim of White Haven Shipbuilding Co. for excess wages paid by reason of the first Macy award.

1. Paragraph 11 of Article II of the contract with the White Haven Shipbuilding Co., of date of July 30 1918, reads, in part, as follows: "(a) It is agreed that the wages paid shall be those fixed by the Shipbuilding Wage Adjustment Board for the Atlantic coast district and effective as of the date of this contract."

2. At the time of the execution of this contract the first Macy Board award was in effect, and as a consequence the increase in the cost of labor occasioned thereby was, under the above quoted provision, expressly undertaken to be borne by the White Haven Co.

But it is urged by the White Haven Co. that this provision of its written contract is not operative because of an oral promise, remark, or undertaking made by Mr. George E. Tebbetts, an employee of the Fleet Corporation, to Mr. H. W. Robertson, general manager and 50 per cent owner of the White Haven Co., which promise or undertaking was made at a time prior to or contemporaneous with the execution of the written contract containing the provision quoted above.

This promise is alleged to have been made in a conversation between Mr. Tebbetts and Mr. Robertson, in which conversation, as stated by Mr. Robertson, he called the attention of Mr. Tebbetts to the above provision of the contract, protested against same, and expressed his unwillingness to sign same for and on behalf of the White Haven Shipbuilding Co., his reason for such objection being that the effect of this provision would be to cause the White Haven Co. to pay a scale of wages much higher than the scale it was then paying and also much higher than the scale upon which its bid or estimate for the construction of the ships had been based. Mr. Robertson stated further that, as a result of his protest, Mr. Tebbetts replied "go ahead and sign the contract as

we had signed the order, and that the wage increase would be taken care of, as they were being taken care of on the Ferris type ships. He also stated that contracts had been let for too low a price and all the board's contracts would be adjusted. And on the strength of that assurance we signed the contract." Reduced to its last analysis, the contention of the White Haven Co. is that this promise of Mr. Tebbetts effectuated a change in the quoted provision of the contract whereby the duty of paying the excess wages occasioned by the first Macy award was shifted from the shoulders of the contractor to the Emergency Fleet Corporation.

3. Assuming that Mr. Robertson's version of his conversation with Mr. Tebbetts was, in every respect and detail, a correct one, and assuming further that Mr. Tebbetts had full authority to bind the corporation by this character of contract, which is adopting a view most favorable to the interest of the White Haven Shipbuilding Co., the question presented is what was the legal effect of this promise or undertaking. Was such promise or undertaking binding, either in law or equity, upon the corporation?

It is obvious at the outset that there is no legal obligation, as distinguished from an equitable obligation, imposed by such promise on the Fleet Corporation, since such legal obligation is precluded by the universal rule that all negotiations, promises, and agreements made prior to, or contemporaneous with, the execution of a written instrument; and no evidence of such prior or contemporaneous negotiations, promises, or agreements will be admitted in evidence in a court of law to change, vary, or contradict the terms of such written instrument.

So the only possible theory upon which the White Haven Shipbuilding Co. could urge this claim, under the facts as they exist, is the equitable one that such written contract should be reformed either on the ground (a) that there was a mutual mistake of the parties, or (b) that the promise made by Tebbetts constituted a fraud upon the White Haven Co.

It is too clear to admit of argument that the facts of this case fail to show that there was any mutual mistake made in executing the contract, since Mr. Robertson himself stated that at the time of this conversation, and prior to the signing of the contract, by him, he was perfectly aware of the meaning and effect of that provision of the contract above quoted.

It therefore follows that the sole inquiry in this case is, Did the promise of Mr. Tebbetts constitute such a fraud on the White Haven Shipbuilding Co. as would justify the reformation of its contract to the extent that the cost of the excess wages paid under the first Macy award should be borne by the Fleet Corporation, rather than by the White Haven Shipbuilding Co.?

5. "Where there is no fraud or mistake in the preparation of an instrument and it appears that the parties signing understand its language and import, it can not be reformed on the faith of a contemporaneous oral promise, which was not kept." (34 Cyc., 922.) "A mistake in judgment in that one party relied upon the honor or contemporaneous oral promise of the other, instead of reducing the same to writing, affords no relief, both parties knowing of the omission." (34 Cyc., 947.)

The foregoing text of the Cyclopaedia announces a well-established rule of equity and is fully sustained by the authorities cited. Among the many authorities so cited quotation is hereunder made from several because they are so clearly and particularly applicable to the facts in this case.

Brann v. Wisconsin Co. (92 Wis., 245, 1896) was a case in which was considered a contract which provided that one party leased from another party certain property for a period of three months, at the rental price of \$500, and provided further that the lessee had "the right at any time before returning said property to buy the entire outfit at a price not to exceed the sum of \$900." Suit was brought to reform this contract so as to have same provide that any amounts paid as rental should apply as a credit on the purchase price of \$900, in the event the lessee decided to exercise his option to purchase the property. The facts are indicated in the following excerpt from the opinion of the court: "This court has repeatedly held that written contracts can not be reformed except upon the most positive and satisfactory evidence showing fraud or mistake in committing the agreement to writing; that is, the mistake of one party and fraud of the other, or mutual mistake. The proof must be plain, convincing, and beyond reasonable controversy that by fraud or mistake the true contract was not expressed in writing; that is, as applied to this case, a mistake in omitting something which the parties intended to have inserted, or something which was in fact a part of the agreement, and which it was supposed was contained in the writing when it was signed and delivered, or a mistake of judgment in that one party relied upon the contemporaneous parole agreement of the other, instead of insisting upon its being reduced to writing. The latter appears to be the mistake in this case if there was a mistake.

Both parties knew that the words were omitted. Giving the most favorable effect to defendants' evidence, consent was given to the omission upon the promise that such omission should make no difference. For this kind of mistake the law affords no remedy. It was a mere simultaneous parol agreement which can not be restored to, to vary or control the written contract. It follows that the court rightly refused to grant the relief prayed for asking the re-formation of the contract." (*Braunn v. Wis. Co.*, 92 Wis., 245.)

In *Smith v. Rust* (112, 111 App., 85, 1904), the facts as considered by the court were, briefly stated, "that Smith agreed to rent to Rust one-half of certain premises for the rental price of \$600, and the other half of the premises to Betterman for the same price; that when the lease was presented to Rust for signature he saw that it was a joint lease, by the terms of which each tenant became bound for the whole rent of \$1,200, and thereupon he called the attention of Smith to this mistake in the drawing of the lease; that Smith replied the agent had made a mistake in form, but that if Rust and Betterman would sign as it was, he, Smith, would hold each of them for one-half of the rent only, and that relying upon this promise Rust signed the lease." It was sought to hold Rust liable for the payment of the entire rent of \$1,200 and Rust endeavored to have the contract re-formed in conformity with his oral agreement with Smith so that his, Rust's, liability would be limited to the payment of the \$600. The court said "Here is neither fraud, accident, nor mistake, at least one of which must be clearly shown to exist before a court will re-form a writing. Rust, before he executed the lease, knew its form and the legal effect of that form. Yet knowing this he voluntarily entered into the obligation, trusting to the promise of Smith that he, Rust, should not be held for more than one-half of the rent." The court then announced the rule to be applied as follows: "Where there is no fraud or mistake in the preparation of the instrument, and it appears that the parties signing understood its language and purport, it can not be re-formed on the ground that he signed upon the faith of the contemporaneous oral promise which was not kept, nor may said promise be received in evidence. In equity as at law, the written contract merges all prior and contemporaneous negotiations and promises, made by word of mouth, in reference to the subject of the instrument. The presumption is conclusive that the whole agreement is embraced in the writing, and while in equity a written contract may be re-formed for fraud or mistake, it may not be re-formed on the ground that such promise was made. It was not contemplated or intended by either party that the oral promise should be inserted in the written contract. Defendant perhaps relied upon that ground. If so his duty was to reduce oral undertaking or promise to writing." (*Smith v. Rust*, 112, 111 App., 85.)

"Where a petition for the re-formation of a written contract alleged that plaintiff knew, at the time the contract was executed, that one of the elements of the agreement was omitted therefrom, and requested that it be inserted and defendant refused to do so but orally agreed that the same should be as binding upon him as if inserted in the written contract, held that the petition containing these allegations was demurrable on the ground that the facts stated did not entitle the plaintiff to the relief demanded." (*Benthal v. Briggs*, 87 Iowa, 539, 1893.)

Pickerell v. Castleman was a Kentucky case in which re-formation of a written contract was sought in order to include therein a contemporaneous oral agreement which was omitted therefrom. The court said, in declining to grant the re-formation prayed:

"It will be noticed first that plaintiff pleads fraud or mistake, in the alternative, yet it alleges that it knew of the omission at the time the contract was executed and notwithstanding this knowledge executed and delivered the contract. It is therefore apparent that plaintiff did not state a cause of action for re-formation of the contract on account of the omission of the part of the real contract by the mutual mistake of the parties. The omission was recognized, discussed, and consented to; so there was no mistake of facts involved. So we need only examine plaintiff's pleadings to see if facts were alleged which constitute fraud. It will be noticed that plaintiff alleges only that defendant made statements and assurances by which it was induced to consent to the omission, to the effect that it was not necessary to incorporate the omitted parts in the writing; and that the omitted part of the contract would be observed and carried out just the same as if included in the writing. In what way, then, were these statements and assurances fraudulent? The only allegation of misrepresentation is that defendant, knowing it was untrue, told plaintiff that it was not necessary to reduce a part of the contract to writing, and assured him that the omitted terms would be observed. The allegations then, upon which plaintiff attempts to have a right of re-formation are simply a promise to perform the omitted obligations. This does not constitute fraud. It would therefore seem clear that plaintiff's petition failed to state facts constituting fraud or mistake and that the demurrer was properly sustained." (*Pickerell v. Castleman*, 191 S. W., 680 Ky., 1917.)

The foregoing are just a few of the numerous authorities holding to the same effect and are quoted because the expositions of the principle announced therein are so clear and unequivocal and of such obviously direct application to the facts of the case as render further citation of authorities superfluous.

The rule announced is a general and well-established one and is controlling in this case. It is therefore my opinion that this claim of the White Haven Co. against the Fleet Corporation can not be sustained upon any principle of law and equity and that consequently it should be disallowed.

J. A. TYSON,
Assistant Counsel.

Mr. STEELE. And now, also, who was the representative of the Government who made these declarations to him, or is supposed to have made them?

Mr. TALBERT. It was Mr. Tebbetts, assistant to Mr. Hayworth, who was manager of the wood ship construction.

Mr. STEELE. What was the extent of his powers; did he have the power to change the terms of the contract?

Mr. TALBERT. No, sir; even Mr. Hayworth himself could not have made a contract. The only contract that could have been lawfully entered into would have been by Mr. Piez.

Mr. CONNALLY. The contract, as I understand it, however, had not been signed at that time.

Mr. TALBERT. No.

Mr. CONNALLY. The contract at the time these statements are alleged to have been made had not been completed by Mr. Robertson?

Mr. TALBERT. No.

Mr. CONNALLY. Was it or not urged by the counsel for Robertson that that was the procuring inducement for him to execute the contract?

Mr. TALBERT. That was their position.

Mr. CONNALLY. That was a waiver in the way of that clause.

Mr. STEELE. And a fraud upon him to make the contract under those circumstances?

Mr. CONNALLY. Yes.

Mr. TALBERT. We took the position that anything orally made prior to the execution of the contract or contemporaneous with the execution of the contract was supposed to be merged into the written document itself; and then, as further reasons, this was one of 8 or 10 large contracts let at the same time, at the same prices, with the same clauses.

Mr. CONNALLY. Where was this plant located?

Mr. TALBERT. It is White Haven, Md., is it not?

Mr. STEELE. On the Chesapeake.

Mr. TALBERT. It is on the East Coast.

Mr. STEELE. Along the Chesapeake.

The CHAIRMAN. Who handled that matter, which member of the board handled that?

Mr. TALBERT. Of the claims board?

The CHAIRMAN. No; of the Shipping Board or Fleet Corporation.

Mr. TALBERT. Mr. Gillen; you say "handled it." He seems to be the man who was familiar with it, and he was before our board one time with Mr. Robertson, the president of White Haven, and discussed the case with our board.

The CHAIRMAN. Who was the lawyer who prepared the brief for you on the law—looked up the law?

Mr. TALBERT. Col. J. A. Tyson.

The CHAIRMAN. You folks keep a docket of your claims?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. After settlement is made by somebody else irrespective of your recommendations, do you get a report of it; do you complete the docket by finding out what was done?

Mr. TALBERT. It is the practice of the Secretary of the Board of Trustees to send us a copy of the resolution affecting any claim, and we record that resolution then with our resolutions.

The CHAIRMAN. Did you get a resolution in this case?

Mr. TALBERT. I could not answer positively, because we get so many of those resolutions—I do not know.

The CHAIRMAN. You only get the resolutions, however, in cases in which you take some action in the beginning, do you not?

Mr. TALBERT. Well, I am quite sure we get resolutions that may affect any claim. Sometimes we get a resolution that really does not affect any of the claims we are handling in any way.

The CHAIRMAN. I mean, suppose you are not handling the claim, do they send you a resolution that certain claims have been settled upon the following terms or will be settled?

Mr. TALBERT. I think we have always received those resolutions. Of course, they come through the secretary's office and through the secretary of our board.

The CHAIRMAN. Was Mr. Laggren connected with your board?

Mr. TALBERT. Yes, sir; he was secretary of the board for several months.

The CHAIRMAN. Do you handle the Bethlehem Shipbuilding Corporation settlements?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. Did you make a recommendation?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. Was the settlement made?

Mr. TALBERT. No, sir.

The CHAIRMAN. Is it still pending?

Mr. TALBERT. Yes, sir; it is still pending.

The CHAIRMAN. Before your board?

Mr. TALBERT. I think it is before the board or before me, as assistant general counsel, I do not know which—the resolution just came down Monday afternoon late.

The CHAIRMAN. This week?

Mr. TALBERT. This week; they did not send a formal resolution down. The secretary of the board of trustees came down and handed me the papers, and said the board had "referred this back to you." I did not know whether he meant as the board or as assistant general counsel, and he said, "You will see Mr. Rowell"—who is one of the commissioners; and I have not had time to take it up.

The CHAIRMAN. Does that involve an audit of some of the books of the Bethlehem concern—this settlement?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. You have not had time to go through that audit?

Mr. TALBERT. Some of the settlement is based on an audit; that is, it is subject to an audit, I should say.

The CHAIRMAN. Has there not been an audit made at some of the Bethlehem plants?

Mr. TALBERT. I have understood, generally, that there is quite an extensive audit being made of Bethlehem Steel.

The CHAIRMAN. By Perley-Morse?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. Have you seen that audit?

Mr. TALBERT. No, sir.

The CHAIRMAN. Is not the Shipping Board paying for that audit?

Mr. TALBERT. I understand they are.

The CHAIRMAN. Will you be able to make recommendations until you see the results of the audit?

Mr. TALBERT. Our recommendation is based entirely on Adamson's report. The audit that is being made, as I understand it, by Mr. Morse, is to determine the proper costs on the ships that have been built and delivered and is separate and apart from the settlement that we made. The settlement that we are recommending is a settlement in connection with the plant at three places.

The CHAIRMAN. Did it not involve ship construction?

Mr. TALBERT. No, sir—one feature of it does.

The CHAIRMAN. What feature?

Mr. TALBERT. It involves certain correction work.

The CHAIRMAN. This will not be a final settlement, this matter that is pending?

Mr. TALBERT. It will be a final settlement as far as the plants are concerned.

The CHAIRMAN. Does that involve the Liberty plant?

Mr. TALBERT. Yes, sir; that involves the plant at Alameda, Calif.; I think that is the one called the "Liberty plant".

The CHAIRMAN. On the Liberty site?

Mr. TALBERT. And the Sparrows Point, Md., and the one at Wilmington, Del.

The CHAIRMAN. Those are new plants?

Mr. TALBERT. Yes, sir; built and paid for by the Fleet Corporation.

The CHAIRMAN. They did not build a plant at Alameda?

Mr. TALBERT. This Liberty plant; is not that Alameda?

The CHAIRMAN. They have built a plant there?

Mr. TALBERT. That is, we started to build one.

The CHAIRMAN. You did not, did you?

Mr. TALBERT. It was not completed.

The CHAIRMAN. In fact, you did not very much more than just build the site at Alameda—got one building up there?

Mr. TALBERT. I have never been there; I have only seen what is purported to be the cost of it. But I just have the impression there was a good deal of money spent on that site, and on that plant.

The CHAIRMAN. Have you seen any report indicating that they built any ways there?

Mr. TALBERT. I do not recall that—the details of this settlement were handled by Mr. Tirrelle, a member of our board, who has gone into all these things and has been in almost daily communication with Mr. Adamson.

The CHAIRMAN. This matter then, Mr. Talbert, does not involve settlement with the Bethlehem Company for construction work at the Union Works or at Fore River or their other plants?

Mr. TALBERT. No, sir.

The CHAIRMAN. It is just a settlement of these three new plants which were built by the Fleet Corporation?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. Do you know how many ships were built at Sparrows Point?

Mr. TALBERT. No, sir.

The CHAIRMAN. Or at Wilmington?

Mr. TALBERT. No, sir.

The CHAIRMAN. Did the Hog Island settlement come before your board?

Mr. TALBERT. No, sir.

The CHAIRMAN. Did the Terry shipbuilding claim come before your board?

Mr. TALBERT. In a way, it did.

The CHAIRMAN. In the usual way that other claims came before you?

Mr. TALBERT. No, sir.

The CHAIRMAN. Did you make any recommendations in that case?

Mr. TALBERT. I think—we made a recommendation that the settlement be reopened and the contract changed, and that was done.

The CHAIRMAN. And the agreement for settlement changed?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. But you did not make any initial recommendation in that case?

Mr. TALBERT. I think I personally made a report to Judge Payne while he was negotiating the case.

The CHAIRMAN. But the board did not take any action on it.

Mr. TALBERT. No, sir.

The CHAIRMAN. How about the American Shipbuilding Co.?

Mr. TALBERT. That was never before me—you mean the American, of Cleveland?

The CHAIRMAN. Yes, sir.

Mr. TALBERT. That was never before the claims board at all.

The CHAIRMAN. Who handled that matter, as you understand it?

Mr. TALBERT. Mr. Gillen.

The CHAIRMAN. Executive assistant to Judge Payne?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. While Judge Payne was chairman of the board?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. Of the Shipping Board and chairman of the trustees of the Fleet Corporation?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. How about the Downey matter?

Mr. TALBERT. Downey was handled in the regular routine manner all the way through.

The CHAIRMAN. Has that been settled?

Mr. TALBERT. An award has been made.

The CHAIRMAN. Did you know, were the Shipping Board or the Fleet Corporation parties to any receivership proceedings which the press reports have recently contained taken in the Downey corporation matter?

Mr. TALBERT. I do not know that we are parties to it or that we have taken action to put them in the hands of receivers; in fact, I

think it must have been other creditors. I am quite sure the Fleet has not asked that.

The CHAIRMAN. Do you remember how much you recommended should be paid to the Downey concern?

Mr. TALBERT. \$15,174,000.

The CHAIRMAN. Is that incorporated in a resolution?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. How much do they claim?

Mr. TALBERT. I think it is approximately \$21,000,000.

The CHAIRMAN. What items were eliminated by the claims board to bring about the reduction?

Mr. TALBERT. They had a claim for excess tonnage, amounting to approximately \$1,000,000, which was disallowed by the claims board.

The CHAIRMAN. What was it based on?

Mr. TALBERT. The contract provided that the contractor must be paid \$115 per dead-weight ton, and that the estimated tonnage for the purpose of making progress payments and advances was to be 7,500 tons, but that after the ships were built—after each ship was built—it was to be officially measured and the actual dead-weight tonnage determined, and that the \$115 per ton should be applied against the actual tonnage. The contract also provided that ships should be built on the plans and specifications approved by the American Bureau of Shipping and by Theodore E. Ferris, the fleet's naval architect.

The contractor submitted a tentative plan and specification to Mr. Ferris before the contract was executed, and Mr. Ferris tentatively approved those plans. In those plans it was stated that the deep-load draft should be about 24 feet 7 inches; that is, it would draw that much water up to the load line. After the contract was executed, and when Mr. Ferris got to going into more detail into the plans and had taken up the question with the American Bureau of Shipping, he found that the ship would not stand that much load line, and he wrote a letter to the Downey people, to their vice president and general manager, and who was also their naval architect, and told him that he could not approve this load line, only for 23 feet 8, and that the classification would have to be made with the American Bureau of Shipping, and the dead-weight tonnage determined according to the rules of the British Board of Trade—of the free board rules of the British Board of Trade.

Mr. Downey, vice president for the Downey Shipbuilding Co., answered that and agreed to the tonnage and stated that he had made the changes in his specifications to about 23 feet 8.

And then when the ships were built and submitted for measurement; they used the load line at 23 feet 8 instead of 24 feet 7, and he made quite a difference in the tonnage, and at the price it made about a difference of \$1,000,000 in the ships.

Mr. Downey has claimed all along that he is entitled—I should not say "all along"—he has contended this last June that he should be paid on the basis of these ships drawing 24 feet 7 of water, and we have held that he shall only be paid on the 23 feet 8, or on the line which was actually established according to the rules of the British Board of Trade, and when that was definitely determined it was fixed at 23 feet 7½, I think.

But Mr. Downey never made this claim on the 24 feet 7 until about the last day of the hearing before the district adjuster, which we considered went very strongly to the fact that he had agreed and they all agreed and they knew that these ships which measured in the regular way according to the British free board rules.

The CHAIRMAN. The cost of the ships under that contract was rather high, was it?

Mr. TALBERT. No; I would say lower than the average.

The CHAIRMAN. Do you look into the financial rating of concerns in taking up matters of settlement?

Mr. TALBERT. We do at times; yes, sir.

The CHAIRMAN. What is your object in that?

Mr. TALBERT. Well, if we are making a settlement by which the contractor will go on Fleet Corporation money, we like to know whether there is a probability of getting it or not and to know whether or not we can give an extension of time to make the payment. For instance, if the settlement comes out showing that the contractor owes the Fleet Corporation money, if he has not a very good standing we want to get the cash right at once. Of course, that is the way in all cases. But we would not want to give a man time unless we thought we would have a fair chance at least of getting the money.

The CHAIRMAN. Have there been numerous claims submitted to your board for consideration, which, at the beginning, were based on claims that the Fleet Corporation owed the contractor more money, which, after you had looked into it, you discovered that the contractor owed the Government money, and that the claims were settled upon that basis and the contractor has paid the money which your board has determined was due to the Fleet Corporation.

Mr. TALBERT. I think that is true; I do not call to mind now specific cases.

The CHAIRMAN. Have there been many of those?

Mr. TALBERT. I know that there have been a number of cases wherein we have found that the contractor owed money to the Fleet Corporation and we made a finding to that effect.

The CHAIRMAN. But when those claims first came to you they were claims on the part of the contractor for further payment by the Fleet Corporation.

Mr. TALBERT. Yes, sir; I think so.

The CHAIRMAN. And instead of that claim being well founded, the balance was due the Fleet Corporation.

Mr. TALBERT. Yes, sir; that is true in the Downey case.

The CHAIRMAN. That is true in the Downey case?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. I thought you said you recommended that Downey be paid \$15,000,000?

Mr. TALBERT. A credit of \$15,000,000—that is, our award was \$15,000,000. But our awards read this way: "From which shall be deducted all advances heretofore made"—the deduction would come the other way. We have advanced to Mr. Downey approximately \$17,000,000.

The CHAIRMAN. Then does he owe the Government \$2,000,000?

Mr. TALBERT. Approximately; yes, sir.

The CHAIRMAN. How about the Saginaw Shipbuilding Co.'s claim? Do you recall anything about that, particularly?

Mr. TALBERT. Yes, sir; I remember it in a general way.

The CHAIRMAN. How was that settlement made—in the usual course?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. Was the money paid, finally?

Mr. TALBERT. I could not tell you whether the money was paid; I never kept up with that end of it. After we make our award then it is up to the comptroller and the disbursing officers.

The CHAIRMAN. Do you have any general rule or policy with reference to claims for changes and extras?

Mr. TALBERT. I could not say that we have any general policy; we have a procedure for handling those.

The CHAIRMAN. Claims for changes and extras are first considered by the district manager?

Mr. TALBERT. In the early stages of the construction work, the district manager had a good deal of changes and extras, and payment was made at the time that they were agreeable. I think the construction division has always held, though, that they had the right to review the findings of the district manager on those matters.

The cases that come to us are cases where the district manager has disagreed with the contractor on the sums to be allowed for changes and extras. The contractor then takes an appeal, so to speak, from the district manager to the manager of the construction division; then the construction division reviews the findings of the district manager, and if the construction division, that is, the home office of the construction division and the contractor gets together on the allowance for changes and extras; the matter is settled and finally adjusted there and never comes to our board. If the contractor is not satisfied with the treatment he receives from the manager of the construction division, he then takes an appeal to the claims board, and we have as a member of the claims board, an experienced shipbuilder.

The CHAIRMAN. Who is he?

Mr. TALBERT. Mr. Harry B. Skinner.

The CHAIRMAN. Of Skinner & Eddy?

Mr. TALBERT. No, sir.

Mr. STEELE. That is a different Skinner.

Mr. TALBERT. No, sir; he is not in any way connected with them.

The CHAIRMAN. Where did he ever build ships?

Mr. TALBERT. At Baltimore. For many years he was the owner and manager of the Baltimore Shipbuilding and Dry Dock Co., called the "Old Skinner Plant," in the early days; and since I have been chairman I have referred the cases of that character to Mr. Skinner to make a report. He usually calls the manager of the construction division down to Washington, or the man from the construction division who particularly handled the cases; and they go over the changes and extras anew. But in the great majority of cases the construction division is sustained and our findings are the same as theirs.

Occasionally Mr. Skinner will take a different attitude on some of the allowances from some of the other people, but no more than would occur between any two different shipbuilders.

The CHAIRMAN. In the wood ship construction work, particularly, do you find that the contracts and specifications have been subject to many changes?

Mr. TALBERT. Yes, sir. I have understood that there were approximately 500 changes in the Ferris ship.

The CHAIRMAN. And most of those changes were made after construction work had actually begun?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. So that would necessarily justify some claim for extra compensation?

Mr. TALBERT. Yes, sir. Then the claims are very high and the allowances are very high, too. Of course, the allowances are not so high as the claims, but even our own people admit that they are entitled to a great deal of money for those changes.

The CHAIRMAN. Have you ever made any study or inquiry, Mr. Talbert, to ascertain, over how long a period those changes in design or in specifications extended? They began right after the contract and specifications were furnished, did they not?

Mr. TALBERT. Yes, sir; that is my understanding.

The CHAIRMAN. Many of them were altered by telegraph, were they not?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. How long a period did those changes continue to be made?

Mr. TALBERT. I think practically all the way through.

The CHAIRMAN. Right up to the cancellation of contracts?

Mr. TALBERT. And at the last, then, they made some very extraordinary changes. Some of these ships were converted to sailing ships—many of them were.

The CHAIRMAN. What is your judgment as to how long it will take to clear up the matter of claims? Do you think it will be out of the way by January 1922?

Mr. TALBERT. I am of the opinion that the claims board as a board will not be kept busy sufficient to justify the organization any longer than July 1. I think that the claims will be disposed of to such an extent that the heads of the departments will have time to handle the claims themselves; that is, if there is a construction matter comes up it can be handled directly from the construction division with the board of trustees. I think there will not be enough claims after six months to justify keeping an organization for the sole purpose of handling claims.

The CHAIRMAN. What has the construction division been doing up to now? following the prosecution of contracts?

Mr. TALBERT. There is a good deal of construction work under progress now.

The CHAIRMAN. I say, have they been following that work?

Mr. TALBERT. Yes, sir; and then several men have been on this change and extra situation.

The CHAIRMAN. Do you anticipate that the construction division will be in a position to handle claims of the Skinner & Eddy and the Bethlehem and Duthie, and these other steel ship contractors who have contracts for a great many ships, claims for which are still outstanding, or do you consider that your claims board will have passed upon those by the 1st of July?

Mr. TALBERT. The claims board will have passed upon the Skinner & Eddy claim and the Duthie claim, I would say, within the next six weeks.

The CHAIRMAN. How about the Bethlehem?

Mr. TALBERT. We have already passed on that—Bethlehem has a cost plus contract altogether.

The CHAIRMAN. Yes.

Mr. TALBERT. That is settlement, for work done on these ships that they have built, is not a matter to come before the claims board at all. It is a matter for the finance division, and the construction division, to dispose of.

The CHAIRMAN. Why?

Mr. TALBERT. We settle their costs and pay them a certain percentage. If there is any question concerning costs it is a question of audit to determine those costs; there is very little discretion to be used I mean, in the settlement of the Bethlehem claims after we make this plant settlement. It is a question for an auditor and not for a lawyer; not a question of policy.

The CHAIRMAN. Is not that so with the Moore Bros.?

Mr. TALBERT. I am not familiar with the contract.

The CHAIRMAN. If they have got exactly the same kind of contract as the Union Works, there would not be any need of your claims board passing on that?

Mr. TALBERT. Very little.

The CHAIRMAN. Or the Hanlon, if they have got the same kind of contract.

Mr. TALBERT. There would not be much use for the claims board on strictly cost plus proposition, where the ships are built. Where there is a cancellation it is different.

The CHAIRMAN. I am talking about the construction claims. Your board has passed on claims involving cost plus contracts for ships already built, have you not?

Mr. TALBERT. Only on the question of extras, so far as I know, or some specific claim in connection with the contract.

The CHAIRMAN. What do you mean by "some specific claim?"

Mr. TALBERT. Well, the claim for delay in the delivery of material, for instance.

The CHAIRMAN. How do you know you are not going to have claims like that with reference to Bethlehem?

Mr. TALBERT. We can not anticipate; we do not know just what claim will come in. But I am speaking of the general proposition. The claims board does not have much to do where the ships have been built and completed, only on the question of changes and extras and on a cost plus contract, that has nothing to do with it. The change on the extras, is a matter that I am not interested in, because they get costs and they get their profit.

The CHAIRMAN. Who passes upon the settlements for a concern having a contract like that?

Mr. TALBERT. The construction division and the auditing division; in other words, the payments are made only currently. We pay all the costs. It is vouchered through, signed by officials of the company and officials of the Fleet Corporation.

The CHAIRMAN. In some of these cost-plus contracts there is a penalty fixed, is there not, for delay over and above certain dates?

Mr. TALBERT. I think so.

The CHAIRMAN. And also a bonus paid for completion prior to a certain date?

Mr. TALBERT. Yes.

The CHAIRMAN. Suppose there is a claim for a bonus, would the construction division pass upon that?

Mr. TALBERT. They did pass on that originally; we have had some of those before the Construction Claims Board, but not on cost-plus contracts; they were lump-sum contracts.

The CHAIRMAN. But there are cost-plus contracts that have those provisions, are there not?

Mr. TALBERT. I do not recall to mind any just now, but they may have.

The CHAIRMAN. You say you have not seen the contract of the Union Works?

Mr. TALBERT. I have probably seen it, but I do not remember it distinctly.

The CHAIRMAN. You do not recall whether that has a penalty clause, and also a bonus for completion before a certain date?

Mr. TALBERT. No, sir; I do not remember.

The CHAIRMAN. When, in your judgment, will the construction program be completed, if you are familiar with that?

Mr. TALBERT. I have no idea concerning that whatever.

Mr. CONNALLY. Some question was asked you by the chairman as to these cases that had been settled by claims which had been handled directly by the board without passing through the routine machinery?

Mr. TALBERT. Yes, sir.

Mr. CONNALLY. I will ask you whether or not the claims board's functions were largely advisory. You have no absolute power to make any settlement at all, as I understand?

Mr. TALBERT. No, sir.

Mr. CONNALLY. Except as agent, of course, for the board.

Mr. TALBERT. Of course I have had various powers at different times. At the present time we have no power except in an advisory capacity.

Mr. CONNALLY. In other words, the claims board is really a convenient agent for the regular board to ascertain the facts?

Mr. TALBERT. Yes, sir.

Mr. CONNALLY. And go into a thorough investigation of any claim and make a report of your findings to the Shipping Board?

Mr. TALBERT. Yes, sir.

Mr. CONNALLY. When that is done, the board is then at liberty to act on that or absolutely discharge it if they see fit, and settle it on the outside?

Mr. TALBERT. They are not bound in any way by our action.

Mr. CONNALLY. How long have you been on the claims board—since some time in 1919?

Mr. TALBERT. Since August 15, 1915. I am the only man on it now that was on it at that time.

Mr. CONNALLY. Could you state in a general way what percentage of claims that have been actually settled during that time have passed through your board, and that percentage have been settled independently of your board's action?

Mr. TALBERT. I would say that there has not altogether been more than a dozen claims settled by the board of trustees that have not gone through our board in the regular way; there have been probably a dozen.

Mr. CONNALLY. Probably a dozen cases?

Mr. TALBERT. Yes, sir.

Mr. CONNALLY. Can you state how many of the southern wood shipbuilding companies have been settled with or what ones are still unsettled? I might ask you that question.

Mr. TALBERT. Well, there is the Southern Dry Dock.

Mr. CONNALLY. At Orange, Tex.?

Mr. TALBERT. Yes; and the Universal.

Mr. CONNALLY. Where is that located—Beaumont?

Mr. TALBERT. Beaumont, I believe. The Tampa Dock, and Dantzler.

Mr. CONNALLY. That is at Moss Point, Miss.?

Mr. TALBERT. If I heard the names I would know whether they are settled or not.

Mr. CONNALLY. Well, there is a list of some of the yards on that sheet (handing paper to witness).

Mr. TALBERT. McBride & Law has gone through the board and contract has been signed, but it has not been finally settled. The auditors are holding up an approved payment made them.

The Midland Bridge has been settled, to some extent; that is, they have taken 75 per cent of their award, I think. Heldenfels Bros. have been settled with.

Mr. CONNALLY. Where were they located?

Mr. TALBERT. In Mississippi, I think—no, Rockford, Tex. It says here, Rockford, Tex.

Mr. CONNALLY. Can you state why these other companies that you have mentioned that have not been settled with—why the settlements have not been had, or do you know?

Mr. TALBERT. The claims board have made an award in all those cases. I think the contractor in most of them have taken the position that they did not want final action taken by the claims board, and the board of trustees under our present policy, for the reason that it would embarrass them with their banks and the people they were getting money from. In other words, as long as the claim is open and they can state to their creditors "I have a claim against the Shipping Board for so much money, which has not been determined yet," they have a lease of life, but if there should be a final and definite award made, and their creditors find out, then they begin to crowd them and get what they can out of them; and the reason they have been holding off and the reason that we have been holding up, is that there is a bill in Congress to give those people relief; and we thought it would be inadvisable for us to take any action that would embarrass them with their creditors if Congress was likely to grant the relief, and I understand the bill did pass through the Senate, but was not acted on by the House.

Mr. CONNALLY. It was acted on by the House here, I think, last session.

Mr. TALBERT. I did not know it ever came to a final vote.

Mr. CONNALLY. In a general way, what does that indicate as to the financial condition in wood shipbuilding?

Mr. TALBERT. I would say that practically all the wood shipbuilders are in a very bad condition financially, and they will lose a great deal of money.

Mr. CONNALLY. What was the cause of that, principally?

Mr. TALBERT. They built their yards thinking that they would get other ships for a number of years—at least five years. Some of them only got contracts for one set of ships—for four ships—one turn of the ways.

Mr. CONNALLY. As a matter of fact, wooden ships now are not profitable, are they?

Mr. TALBERT. They are worthless, practically; and those yards are worthless, most of them, except for what junk you can get out of them.

Mr. CONNALLY. When did the Shipping Board discontinue letting contracts for wooden construction, if you know?

Mr. TALBERT. I do not know that without looking it up.

Mr. CONNALLY. Can not these wooden ships be salvaged by converting them into sailing ships or tugs or barges, or something of that kind, for coastwise service?

Mr. TALBERT. I am not up on that question at all.

Mr. CONNALLY. I will withdraw that.

Mr. TALBERT. I am just an ordinary lawyer.

Mr. CONNALLY. I thought from your experience in the board you might know.

Mr. TALBERT. They have tried, I think, every feasible way to use them to advantage, and they are not being very successful with it.

Mr. STEELE. Mr. Talbert, so far as the construction of wooden ships is concerned, the net result of practically all the contracts awarded has been a loss to the contractor: is that true?

Mr. TALBERT. So far as I know, that is true; yes, sir.

Mr. STEELE. Your board, Mr. Talbert, I suppose, keeps a docket of the claims pending before it?

Mr. TALBERT. Yes, sir.

Mr. STEELE. And each claim has a number?

Mr. TALBERT. Yes, sir; a serial number.

Mr. STEELE. Can you tell us what the entire number of claims has been before your board down to this time?

Mr. TALBERT. I have not that tabulated down until today, but I have it until November 1st.

Mr. STEELE. That will do.

Mr. TALBERT. Cases that we have passed on from, I think, July, 1919, until November 1, was 2,124.

Mr. STEELE. Have they been finally disposed of so far as your board is concerned?

Mr. TALBERT. Yes, sir.

Mr. STEELE. Awards have been made in all those cases?

Mr. TALBERT. Yes, sir.

Mr. STEELE. And what is the number still pending?

Mr. TALBERT. I would say about 350.

Mr. STEELE. And those you expect to be disposed of by the 1st of July?

Mr. TALBERT. They will be, so far as our board is concerned. Of course, it must be understood that there will be claims as long as there is a Fleet Corporation or a Shipping Board. The point I was trying to make to the chairman a while ago was that after July I thought that the claims would be so well in hand that it would not be necessary after that time to keep a distinct, separate organization to handle these claims as we are now.

Mr. STEELE. Of the claims of which awards have been made by your board, can you tell us how many of the awards have been accepted and have been finally settled by a payment or a number of appeals that have been taken or pending before the Court of Claims or any other jurisdiction?

Mr. TALBERT. I could not give you the exact number——

Mr. STEELE. Approximately?

Mr. TALBERT. Approximately, I would say that over 90 per cent of the cases that we pass are accepted by the contractor; many times under protest, but they are usually accepted.

Mr. STEELE. Where there is a difference between the contractor and the board, are any payments made on account of the awards?

Mr. TALBERT. Oh, yes, sir; when we make a final award if the contractor is not satisfied with it we pay him 75 per cent.

Mr. STEELE. Seventy-five per cent of the amount of the award?

Mr. TALBERT. Yes, sir.

Mr. STEELE. And that gives him an opportunity of going into the Court of Claims, of proving his case and recovering any balance that they may award him there?

Mr. TALBERT. Yes, sir.

Mr. STEELE. You stated that the Merrill-Stevens contract had been awarded at a very low sum, so far as the ability of the contractor was to carry on his contract to completion?

Mr. TALBERT. That is my understanding. He had about five contracts, I think; two of them were cost plus—the two last ones, I think, were cost plus. But I was speaking of the earlier contracts; and the first contract was for twelve composite ships. That was an altogether new departure in shipbuilding.

Mr. STEELE. In that case, as I understand it, you have made an award?

Mr. TALBERT. Yes, sir.

Mr. STEELE. And has it been settled?

Mr. TALBERT. Yes, sir.

Mr. STEELE. The White Haven case, where you said that you found that they were indebted to the Fleet Corporation for something like \$75,000 or \$100,000?

Mr. TALBERT. Yes, sir; that is my memory.

Mr. STEELE. That is your recollection.

Mr. TALBERT. Of course, we never particularly concern ourselves about the amount the contractor owes us, that is, in making the award; that is a financial matter, and the finance division takes that out of the award that we make. But in conference with Mr. Adamson and members of the finance division, my memory is they told me that is about the amount.

Mr. STEELE. That represented the amount of allowance that had been advanced to the White Haven Company?

Mr. TALBERT. Yes, sir.

Mr. STEELE. And that was entirely outside of your jurisdiction?

Mr. TALBERT. Yes, sir; I may be able to tell you a little about that White Haven Co. that was overlooked awhile ago. The contractor proceeded on the contract. He went ahead and signed it up, and did not get his labor protection that he wanted, and went ahead with the construction of the ships, and we made advance payments and progress payments, until when these ships were, I would say,

approximately 55 per cent complete, or something like that, all of the money was gone. We had paid the contractor the full contract price for the ships, and the ships were not completed, and he did not have any money to go on with the work.

Mr. STEELE. Was the money actually consumed in the construction costs?

Mr. TALBERT. Yes; there is no question about that.

Mr. STEELE. There was not any question of diversion of funds there, no fraud?

Mr. TALBERT. Nothing of that kind was alleged at all. So it became necessary for the Fleet Corporation to protect the money that had been already advanced. A settlement contract was entered into with the White Haven, by which the Fleet Corporation was to advance the money to complete the ships; and after the ships were built a final settlement should be made, and any claim that they had should be submitted to the Claims Board and passed on, and whatever sum would be owing and due to the Fleet Corporation should be paid, and if any should be due and owing the contractor, it should be paid by the Fleet to the contractor. In other words, there was to be a final settlement, and that money was to be advanced at the time, I would say, with very little hope of getting it back, because we had to protect the money that had already been spent.

Mr. STEELE. The question before the Fleet Corporation, then, was whether the contractor was to fall down on his contract when 75 per cent completed and an incomplete ship, and the needs of the Fleet Corporation, or whether it would advance money and allow him to complete it and get a finished ship; that was the proposition.

Mr. TALBERT. That was the proposition.

Mr. STEELE. There was no question there, you say, of diversion of funds?

Mr. TALBERT. Oh, no, sir.

Mr. STEELE. Was there any other question as between the contractor and the Fleet Corporation outside of this question of excess wages?

Mr. TALBERT. The matter of extras, I think.

Mr. STEELE. There were some extras involved?

Mr. TALBERT. Yes, sir.

Mr. STEELE. Do you remember the amount of the claim for extras?

Mr. TALBERT. My memory is that it was about \$30,000.

Mr. STEELE. About \$30,000?

Mr. TALBERT. I think the claim was possibly more than that, but that was the allowance.

Mr. STEELE. Then the allowance to them was really for extras, was it—for \$30,000?

Mr. TALBERT. Yes, sir. I am just testifying to the best of my recollection, but that is my memory about it.

Mr. STEELE. You referred to the Liberty plants of the Bethlehem Co., at Alameda, California?

Mr. TALBERT. Yes, sir.

Mr. STEELE. That, you say, was a cost-plus contract?

Mr. TALBERT. Yes, sir.

Mr. STEELE. Do you remember the amount expended by the Government on that contract?

Mr. TALBERT. No, sir; I could not remember.

Mr. STEELE. Could you give it approximately?

Mr. TALBERT. No; I would not attempt to do that.

Mr. STEELE. Could you tell the committee what was the actual amount expended?

Mr. TALBERT. I can not remember that; I remember what the settlement was to be in percentages, and so on. But I do not remember the amounts of money.

Mr. STEELE. Most of the cost-plus contracts of that character were of the same kind, were they not?

Mr. TALBERT. Yes, sir.

Mr. STEELE. The same form of contract applies to nearly all of them?

Mr. TALBERT. This contract was a little different, in that it contemplated a cancellation. I suppose we had gotten along in the war to such an extent where we thought we might not need these big plants, and the contract provided that in the event of cancellation the Fleet Corporation should pay five per cent on the cost of plant construction and seven and a half per cent on the cost of ship construction. That was to be damages; in other words, they provided in advance what damages should be paid for cancellation.

Mr. STEELE. What was to be the size of that plant, do you recall?

Mr. TALBERT. Ten ways, I think; and the contract was for 20 troop ships, I believe—big ships of some character.

Mr. STEELE. That was a good-sized contract, then?

Mr. TALBERT. Yes, sir.

Mr. STEELE. One of the largest of that kind?

Mr. TALBERT. I think so.

Mr. STEELE. How long had they been at work on that contract?

Mr. TALBERT. I could not answer that.

Mr. STEELE. Have you any idea?

Mr. TALBERT. No, sir.

Mr. STEELE. Do you recall when it was canceled?

Mr. TALBERT. It was canceled November 15, 1918, I think.

Mr. STEELE. Immediately after the armistice?

Mr. TALBERT. Yes, sir.

Mr. STEELE. The claim of the Bethlehem Company is under that contract, then?

Mr. TALBERT. Yes, sir.

Mr. STEELE. You referred to new plants at Mills Point, and at Wilmington, Del.?

Mr. TALBERT. Yes, sir.

Mr. STEELE. Are those new plants, or are they old plants?

Mr. TALBERT. They are additions to old plants.

Mr. STEELE. They are additions to the old plants?

Mr. TALBERT. Yes, sir.

Mr. STEELE. The Sparrows Point plant is an old plant; it is a steel-manufacturing plant, is it not, and shipbuilding plant, too?

Mr. TALBERT. Yes, sir.

Mr. STEELE. And the Harlan & Hollingsworth plant at Wilmington, Del., is also an old shipbuilding plant?

Mr. TALBERT. Yes, sir.

Mr. STEELE. And these contracts were for additions to those plants?

Mr. TALBERT. Yes, sir.

Mr. STEELE. Do you remember the extent of those additions that were contemplated under the contract?

Mr. TALBERT. I would hate very much to undertake to give the amounts here; but there was a limit to expenditures to be made by the Fleet in all instances, but I can not give you the amount of it. The contract, in substance, provided that the Fleet Corporation would advance a certain sum of money to extend the plant, and after the close of the program, in some cases after the close of the war, the Bethlehem Shipbuilding Co. had an option to buy these extensions that the Fleet built, and if the Bethlehem Co. did not buy, did not want to buy, the Fleet Corporation was compelled to remove that extension and improvements from the grounds, etc.

Mr. STEELE. Was the option exercised?

Mr. TALBERT. It is being exercised in this settlement.

Mr. STEELE. It is being exercised in this settlement?

Mr. TALBERT. That is, we are selling those plants to the Bethlehem, and we think we are making a very good deal.

Mr. STEELE. You referred a while ago to the audit of these plants of the Bethlehem Co.; who conducted that audit?

Mr. TALBERT. That is conducted under the general supervision of the Comptroller's office. As it was brought out, while, I think at one time at least they hired some auditing firm, but that employment was under the general Comptroller's department, that is, instead of having his own individual employees, he made a contract with some certified public accountant.

Mr. STEELE. Who were they?

Mr. TALBERT. Perley-Morse.

Mr. STEELE. Did they represent the Shipping Board in this matter?

Mr. TALBERT. I think so; that is my general understanding.

Mr. STEELE. Are they employed by the Shipping Board to do that?

Mr. TALBERT. Yes, sir; employed by the Comptroller's office of the Shipping Board, Fleet Corporation.

Mr. STEELE. Representing the Shipping Board to audit the accounts?

Mr. TALBERT. Yes, sir.

Mr. STEELE. Under a contract?

Mr. TALBERT. Yes, sir.

Mr. STEELE. Was that employment made at the instigation of Perley-Morse & Co.?

Mr. TALBERT. I could not tell you about that—in fact, this matter never came to me.

Mr. STEELE. Is it on a continued basis, or is it on the basis of the amount to be paid to them?

Mr. TALBERT. I understand it is so much per ship—they pay Perley-Morse a certain definite sum for auditing the costs on each ship. But, now, I would suggest that Mr. Tweedale, the General Comptroller, could tell you every detail connected with that; and all I know are just general rumors that I picked up.

Mr. STEELE. How long has the Perley-Morse contract been in existence?

Mr. TALBERT. I do not know that. I first heard of it along about last March or April.

Mr. STEELE. In the testimony taken in New York Mr. Luckenbach referred to Perley-Morse as his "own private accountant." Does the Shipping Board employ private accountants of the claimant to go over the books of the contractor?

Mr. TALBERT. No, sir. I am sure he is not the accountant for the Bethlehem people, and I have never heard of him doing any work except on the Bethlehem case.

Mr. STEELE. Luckenbach says Perley-Morse were private accountants employed by him.

Mr. TALBERT. They might have been on one matter.

The CHAIRMAN. That was a previous audit they made.

Mr. STEELE. Yes, but it referred to these same accounts. You have no information upon that subject?

Mr. TALBERT. No. I am quite sure that Perley-Morse is not in any way connected with the Bethlehem.

Mr. STEELE. I am sure of that from the testimony here. But Perley-Morse are adverse to the Bethlehem Company, representing a private claimant which is antagonistic to the Bethlehem Company.

Mr. TALBERT. I did not know about that.

Mr. STEELE. What?

Mr. TALBERT. I did not know anything about that; in fact, all this regarding the Perley-Morse and the audit of the books is foreign to my jurisdiction; I do not know anything about it.

Mr. STEELE. The Hog Island matter did not come before your board at all?

Mr. TALBERT. It was at one time brought before the claims board in Philadelphia, and probably in January, the case was referred to a member of the board named Mr. John Meigs and myself to make a report and recommendation. We commenced work on the case, but only worked a day or two, when I got information that the case would be handled in Washington. I do not remember now just how that information was conveyed to me, but, anyhow, I was informed to not go any further with it; that the matter would be disposed of at once.

Mr. STEELE. Who so informed you?

Mr. TALBERT. I could not remember that.

Mr. STEELE. Some superior officer?

Mr. TALBERT. Sure; probably the chairman of the board.

The CHAIRMAN. Mr. Talbert, these wood-ship contracts are mostly cost-plus contracts, are they not?

Mr. TALBERT. On the Atlantic and Gulf coasts they are practically all cost plus—the great majority of them are, at least.

The CHAIRMAN. They all being cost-plus contracts, will you state upon what the claim of contractors is based that they are practically all on the verge of bankruptcy?

Mr. TALBERT. Yes, sir; I will be glad to do that. I can do that better by giving you a case which is applicable to practically all of them.

The CHAIRMAN. That is what I would like to have for the purposes of the record.

Mr. TALBERT. You could take the Kingston Shipbuilding Co. on the Atlantic coast. It is in New Jersey or New York. They originally had a contract for four Ferris hulls at a lump-sum price of, say, \$300,000 each. Later a great many changes and conditions and eliminations were made in the specifications, and there was quite a contention and dispute as to just what the contractor would be entitled to, as to how much this \$300,000 should be increased; and to take it over the country generally, the contractors had got to the

point when they had built two or three of these ships and where they were using up all their funds, and the progress payments would not take care of the expenses. They were getting to the point where they had to have money, and they were calling and wanting advance money on these changes and extras, and the contention got so severe and the contractors got so much in need of funds that they were called to Philadelphia. They had a number of meetings, where all the contractors were present at a conference, and it was decided to change those contracts over from the lump sum to cost plus, that would take care of all the immediate needs and to give them contracts for additional ships.

I might say, in starting out, that when this Kingston Co. got contracts for four ships for \$300,000 apiece it became necessary for them to build a yard in which to build these ships. It might be presumed that the average cost of the yard to them was about \$300,000, that they paid for that yard, and the yard, we will say, now is worth \$50,000, which is a pretty fair price for all of them, taking them as a whole.

After these conferences their contract was changed over to a cost-plus contract, and all those contracts are set up practically in two parts: In the first part it relates to those four original hulls and the last part relates to the new ships that were awarded. On those four hulls it was agreed that the Fleet Corporation would pay all the costs retroactively, back to the beginning of the work, and would also pay all the costs in the future—and "cost" is very specifically defined in the contract. There are about six or seven different little paragraphs clearly defining what the costs are to be.

And the contract provides that for these four hulls, the building of them, the contractor to get a fee of \$15,000 per hull. That is not divided or split up in any way, but the contract reads something like this, that "for the completion of said hulls and for all the claims that the contractor may have to date, of every kind, character, and description, it is agreed that he shall be paid \$15,000 per hull."

Then the contract takes up the awarding of new hulls, and in this case of the Kingston Shipbuilding Co. is stated that he shall have three additional hulls to be built on a cost-plus basis, and "cost" is defined in practically the same way as defined in the original four hulls.

And for his fee in building those ships he is to receive \$15,000 per ship, \$8,000 of which shall be considered as profit and \$7,000 shall be considered as plant depreciation.

In this case, after the awarding of this second contract, we canceled all these last three ships and we canceled one of the original four ships. In making the settlement with the Kingston Shipbuilding Co. we passed a resolution reciting that on this original contract for four ships that we would pay the contractor \$15,000 per ship, even though he did not build one of them. That would be three times \$15,000 or \$45,000. That might appear to the committee that that was paying for work not done, but our answer to that is this, that in the clause providing payment for these four ships, it stated it is not only for completing the ships, but in lieu of all the claims he may have and in full satisfaction of all these claims, extras and any compensation that he might have.

The CHAIRMAN. In the future?

Mr. TALBERT. In the future regarding those. So we allowed him \$15,000 per hull for each of the four original hulls at \$15,000, which makes \$60,000.

The CHAIRMAN. But you canceled one of them.

Mr. TALBERT. We canceled one of them, but in any case where the original hull was canceled we still paid him \$15,000 regardless. All of these last three hulls were canceled, and in this case there had been no work done at all. He did not have \$25 worth of material ordered. So we are getting out very lucky on that.

Under our regular procedure, we would pay the Kingston Shipbuilding Co. no part of the \$8,000 mentioned as profit, because that would be clearly paying him profit for something he had not done. But we would pay him the \$7,000 on each hull for depreciation, and three times seven is twenty-one, because the contract provides that \$7,000 of that fee of \$15,000 shall be considered as depreciation.

So we paid that contractor altogether \$81,000, which is all the cash that he ever gets out of the Fleet Corporation; all the rest is just reimbursement for cost.

We go back to his plant, which costs \$300,000, and it is now worth \$50,000. There is \$250,000 that that man has lost on his plant. Under our award we pay him \$81,000, and he still loses the difference—he and his bankers and brokers.

But under the contract itself, the attorneys for the Fleet Corporation have always contended that we have construed it as liberally as possible, especially in paying \$15,000 on a hull that he did not build at all, and paying him all that part of depreciation that is mentioned in the contract as depreciation.

But you can readily see the condition that that leaves a man in.

The CHAIRMAN. Suppose he had completed the other three ships, where would he have been?

Mr. TALBERT. He would get \$24,000 more—he would get \$105,000 to take care of a \$250,000 loss.

The CHAIRMAN. He would still be broke?

Mr. TALBERT. He would still be broke; and it is to take care of cases of that kind that the Congress has been asked to intervene and to take some action.

Mr. CONNALLY. Right there, if I may interrupt, and I think it would help all of us: These contractors that are in that condition have been claiming around here generally that Mr. Hurley, or some one else in the Shipping Board, had given them verbal assurances all along that even though the war might terminate shortly, that still we needed these ships, and that they could reasonably expect either from the Shipping Board or from private parties a continuation of the shipbuilding program for two or three years. Is there anything in the Shipping Board records, to your knowledge, either in resolutions or any other way, that would tend to substantiate any claim of that kind?

Mr. TALBERT. I never have seen any written document confirming that. I have never been able to find any written statement, but I have talked with numerous fleet officials who were present at some of these conferences with wooden shipbuilders, and they tell me that they heard Mr. Hurley tell them when they were changing over that they would be taken care of.

Mr. CONNALLY. "Taken care of"—that is a broad term.

Mr. TALBERT. I will explain that to you.

Mr. STEELE. Can you tell when those were taken over and those new contracts made?

Mr. TALBERT. That was in 1918 when they were changed over, in the early part—May or June, along in those months. I have been told by fleet officials that at one conference in Philadelphia with the wooden shipbuilders when the fleet was demanding, practically, that they come over on the cost plus basis, that they took an example, just as I have here, and asked Mr. Hurley and the fleet people where the wooden shipbuilders would get off in case of any cancellation or in case they did not get any more contracts, and that he verbally assured them that it was the intention of the corporation to carry on this shipbuilding program for several years, and that he could at least assure them they would have three turns to the ways; that is, that they would be allowed to build three ships on each way they had.

The CHAIRMAN. Mr. Hurley was chairman of the board at that time?

Mr. TALBERT. He was chairman of the Shipping Board, the highest official connected with the fleet.

Mr. CONNALLY. This was in an official conference, was it, where they were discussing this matter, not privately?

Mr. TALBERT. I was in a general conference, I think, with the builders. Of course, in addition to that I think there was a good deal of pressure brought to bear to make the builders believe that the program would last four years. Otherwise, no sensible man would build a plant to construct one set of ships.

Mr. CONNALLY. You said a moment ago that this Shipping Board called the wooden shipbuilders and was insisting on turning over from the lump sum to cost plus, while the Shipping Board insisted on converting these contracts; what was the occasion for that?

Mr. TALBERT. They had used up all their progress payments and more, and the Fleet Corporation had to advance money, and it was thought it would be better to all parties just to put them on a straight cost plus basis.

Mr. CONNALLY. At that time had or had not it been demonstrated to any degree that these wooden ships would be practically worthless? Had it not already at that time been demonstrated pretty thoroughly that the steel ship was the only ship to build?

Mr. TALBERT. Surely, except just as an emergency; I think the wooden ships were all the way through considered as an emergency, because, if you remember, in 1918 and up until probably in October, the consensus of opinion was that the war would last over into another year at least, and while I presume all the officials knew that after the war all wooden ships would not be worth much, but they were worth a great deal at that time just as an emergency measure.

Mr. CONNALLY. Were practically all of these wooden ships ocean-going ships?

Mr. TALBERT. Yes, sir.

Mr. STEELE. Do you recall whether Mr. Hurley stated his belief that the war would last for a period of two years, or whether it was an absolute promise to them that the contracts would last for a period of two years?

Mr. TALBERT. Of course, you understand I was not present at any of those conferences, and was not even with the Shipping Board at

that time myself. I did not come until April, 1919. This is all second and third hand; I never had a talk with Mr. Hurley about it in my life, but the most of the information I get is from McNitt, who was attorney for the wood ship division, and he is the man who drew all these wood-ship contracts, and I know he has always felt that the wood shipbuilders were being very unjustly treated.

Mr. CONNALLY. Where is Mr. McNitt now?

Mr. TALBERT. He is in Chicago.

Mr. CONNALLY. Not connected in any way with the Shipping Board?

Mr. TALBERT. Oh, no, sir; he resigned in November, 1919.

Mr. CONNALLY. I am very glad to get that information. I am frank to say I have always been very reluctant to entertain any of these contentions of these wood shipbuilders, that they had lost money, and thought it was largely "moonshine."

The CHAIRMAN. Mr. Talbert, will you take a case of the wooden shipbuilder where they had a cost-plus contract at the beginning, where the Fleet paid for building a ship, where the fleet paid for the cost of the ship construction, and explain how they can say that they are broke?

Mr. TALBERT. They are not broke, and they can not claim that they are.

The CHAIRMAN. A good many of them are making that claim.

Mr. TALBERT. Not that I know of—cost plus from the beginning— and where the Fleet owned the yard and the fleet paid all of the costs?

The CHAIRMAN. Yes.

Mr. TALBERT. I do not know of any of those making a claim such as that.

The CHAIRMAN. You do not know of any wooden-ship contractor that wants settlement with the Shipping Board who had a cost-plus contract at the beginning, where the Fleet Corporation built their yard, claiming that they should be settled with upon the same basis as these other companies that were also promised additional ships?

Mr. TALBERT. No. Their claim is simply for profits which we will not pay. The Midland Bridge is one of that kind.

The CHAIRMAN. Give us an example of that now, as you figured the others. I would like to have the two classes.

Mr. TALBERT. The Midland Bridge had a contract for six boats, I believe, the Fleet Corporation to build the yard and to pay all the ship costs, and they were to get a fee of \$8,000 per boat. I do not remember how many they built—I believe it was two; Mr. McKeehan would know, if he was here. Well, it does not matter about the number. They built some of these boats, for which we did pay them the full \$8,000, and they had ordered materials and had done some work on the rest of them, but very little. When we made our award with the Midland Bridge we paid them the fees on the boats that they had fully completed, and we paid them the percentage of their fee on the other boats; for instance, if they had one of the other hulls 25 per cent complete we paid them 25 per cent of the \$8,000; in other words, we paid them for the work that they actually did, measured by the contract yardstick.

The CHAIRMAN. And they are claiming what they might have made if the others had not been canceled?

Mr. TALBERT. Yes, sir; what they might have made if the others had not been canceled, and they claim they would have made \$8,000, and they are claiming the difference between what we have awarded them and the \$48,000. But we will not entertain a claim of that kind at all, as it is fees for something they did not do, and we took the position that we have no right to pay that; whether it is legal, we do not pay it, we will not pay it.

The CHAIRMAN. You have not heard of any contractors in that class who have made the claim that they are broke?

Mr. TALBERT. I do not see how they could be.

The CHAIRMAN. I know they could not be, but I say, "who have made the claim," that they are on the verge of bankruptcy.

Mr. TALBERT. I do not know of any of those.

The CHAIRMAN. Are you familiar with the Standifer settlement—I forgot to ask you that this morning.

Mr. TALBERT. Standifer are all now before the construction claims board and before Mr. Adamson and the construction division.

The CHAIRMAN. You testified they were now waiting consideration?

Mr. TALBERT. Yes, sir; we have not received reports from Adamson or from the construction division yet.

The CHAIRMAN. So that there has been no action or recommendation taken on that?

Mr. TALBERT. No, sir.

The CHAIRMAN. With reference to the Perley-Morse employment by the Shipping Board, that is a matter that you had nothing to do with, either by way of recommendation or actual employment?

Mr. TALBERT. No, sir; I know nothing about that whatever except simply the fee, and so on, that I have heard of it.

The CHAIRMAN. Did you ever hear—that is, did any official of the Fleet Corporation ever tell you—that the Perley-Morse concern had previously made an audit of the books of the Fore River Corporation in connection with the Luchembach contracts, and that it was a result of that audit that they were employed by the Shipping Board to make a further audit of the Bethlehem books?

Mr. TALBERT. I do not remember of hearing that.

The CHAIRMAN. At these conferences with the wooden shipbuilders at the time of converting the contracts to the cost-plus basis, were there any minutes of this conference kept, do you know?

Mr. TALBERT. I have heard that there were; and I have made an effort to get them, but I never did get ahold of them. They were lost or destroyed.

The CHAIRMAN. And none of the wood-ship builders have been able to furnish you with any written evidence of these charges?

Mr. TALBERT. No, sir.

The CHAIRMAN. You stated that the wooden ship fleet is practically worthless. You mean the ships that have been completed and put into operation?

Mr. TALBERT. Yes, sir; when I say "practically worthless," that is, at variance with what they cost. These ships are worth about \$65,000 or \$75,000 per hull, whereas the average cost was \$600,000.

The CHAIRMAN. I mean a completed ship, with the machinery and everything in it.

Mr. TALBERT. I do not know what they are selling at now.

The CHAIRMAN. What I am trying to get at, Mr. Talbert, is whether you included the completed ship with the machinery and everything, equipped for operation, in your calculation when you said "ships were practically worthless."

Mr. TALBERT. I had reference particularly to the hull.

The CHAIRMAN. You meant these large Fleet wooden hulls?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. And you further said, as I understood you, that practically every wood-ship contractor lost money?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. Do you know whether any claims to that effect have been made by the Pacific-American Fisheries Co.?

Mr. TALBERT. I do not recall their claim at all.

The CHAIRMAN. They had a claim, did they not?

Mr. TALBERT. I have not heard of it, if they have.

The CHAIRMAN. They built the ships and delivered them according to contract and were paid and no further claim was ever made?

Mr. TALBERT. I do not know; I do not remember any claim.

The CHAIRMAN. Did you ever hear that company mentioned?

Mr. TALBERT. No, sir.

The CHAIRMAN. The Pacific-American Fisheries Co., at Bellingham, Wash.?

Mr. TALBERT. I do not remember ever having heard of them. I am quite sure they have not been pressing any claims or I would call them to mind.

The CHAIRMAN. Have you ever heard of any cancellation of their contract?

Mr. TALBERT. No. The west coast wooden-ship builders nearly all contend that they would get out and would not lose money if proper amounts were allowed them for changes and extras. But I think they will lose money on the allowances made for changes and extras. However, they felt much cheaper and, in fact, they are in a good deal better shape financially than the southern and east coast builders.

The CHAIRMAN. The wooden-ship construction on the Pacific coast was a little different than it was on the Atlantic coast, was it not—a newer proposition.

Mr. TALBERT. Very few of them went on cost plus; they were on lump sum.

The CHAIRMAN. And there was less of that prior to this emergency program going on on the Pacific coast than there was on the Atlantic coast, was there not, in wooden-ship construction?

Mr. TALBERT. I think so; yes, there were not so many.

The CHAIRMAN. Old yards.

Mr. TALBERT. I am not sure; there were no yards on the west coast, wooden-ship yards. The McEagherern Co. had an established yard.

The CHAIRMAN. Do you know of any going yards for wooden-ship construction on the Atlantic coast?

Mr. TALBERT. No, sir; I do not know.

The CHAIRMAN. Very few, however?

Mr. TALBERT. I think so; I think there were very few.

The CHAIRMAN. In adjusting these claims, did your board come across instances of padded pay rolls?

Mr. TALBERT. That has been charged in a few cases.

The CHAIRMAN. How much of an investigation did your board make about that?

Mr. TALBERT. We called the attention of the finance division to it, and of the people who were practically handling it, and we tried to make due allowance for it when we came to settle with that contractor.

The CHAIRMAN. Were there instances where allowances were made for that?

Mr. TALBERT. That was kept in mind in making our allowances, but where there is a padded pay roll, of course, the finance division, where they could find the actual padding and knew so much was actually added, there they strike that out and they do not reimburse the contractor for that. In fact, we penalized them for that; and we also get that in mind in passing on the rest of his claims, just acting on the theory that if a man is careless or wrong in one instance, we ought to be a little careful in scrutinizing his claims.

The CHAIRMAN. What I meant was, in the settlement would you have an item out there for so much deductions?

Mr. TALBERT. No; I do not remember that we have done that, because it has not been put up to us in such a way that we could deduct a certain amount.

The CHAIRMAN. Did your board during its operations come across conditions in the prosecution of these contracts which you felt should be remedied, and did you take action to make recommendations as to change of conditions in the yard or was not that within your province?

Mr. TALBERT. That was not within our province, and in most cases where claims before us the work has been done.

The CHAIRMAN. The work has all been done, and what has happened has happened?

Mr. TALBERT. It is a question of viewing the corpse, in most instances.

The CHAIRMAN. And if there have been improper practices or unlawful expenditures of funds or padding of pay rolls and things of that sort, when it gets to your board, about all that is left for you to do is to ascertain as accurately as you can those facts and make such allowances?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. And is that what you did?

Mr. TALBERT. That is what we do. Of course, if at any time we can find out that an item is absolutely wrong or false, or made up from false premises, we cut that out entirely. But we do not always condemn a contractor in our minds just because there might be some charge of some one of the employees, or some Fleet employees doing some wrong individual act. Then, the case mentioned here this morning, when Mr. McKeon was testifying: Some irregularities might take place that the contractor would not countenance and would not be responsible for, but if it is to such an extent that we think the contractor is a party to it, then we try to view the claims with a great deal of scrutiny and care.

The CHAIRMAN. I suppose it is your observation from the work you have been doing on this board that there has been necessarily some waste, because of lack of not only experienced shipbuilders, but lack of skilled workmen, and also lack of competent inspection.

Mr. TALBERT. Yes, sir; sure, that is true.

The CHAIRMAN. And that was due particularly or in large measure to the magnitude of the program which was embarked upon and the suddenness with which it had to be started and prosecuted?

Mr. TALBERT. There were not enough competent men in the country at the time to become inspectors and to oversee the work. They had to be trained and put in shape just as soon as possible.

The CHAIRMAN. The same as the workmen in the yards and the same as some of the builders?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. In balancing up and general operations of the Fleet Corporation, do you think that the best way would be to just charge off these wooden hulls we have around here, call that a part of the war cost, or would you care to express an opinion on that?

Mr. TALBERT. Of course, I have nothing to do with the sale of those hulls.

The CHAIRMAN. I understand that.

Mr. TALBERT. But my opinion is, just as a citizen; that they ought to be sold or given away; that is, if they can be of any use in any way to the United States or to any of its citizens, they ought to be sold at such sums as may be so that we can get entirely rid of them as soon as possible; then, whatever we do get, take credit for that and charge the rest off as war emergency. The expenditure was made to meet a condition which did not arise by reason of the armistice. They were made to supply our soldiers with food and ammunition and to carry on commerce during the war, and the war ceased before they became of use, just like the big powder plant down in Tennessee that the War Department has. It has just been charged off; it is no longer of any use.

Mr. CONNALLY. Right in that connection, it is conceivable that these wooden ships could be utilized by private individuals for some purpose.

Mr. TALBERT. I have heard of some of them being converted into barges for carrying oil.

Mr. CONNALLY. Barges for coastwise shipping, around these harbors.

Mr. TALBERT. If they can be used for anything they ought to be used. I presume Capt. Foley, who is here now, when you call him, can give you something along that line, because he is an able man and knows something about the uses to which they might be put.

Mr. CONNALLY. Mr. Talbert, on the questions propounded by the chairman a little while ago, about inexperienced wood-ship builders, and about the percentage of people capable of building wooden ships, compared with those in the steel-ship building line.

Mr. TALBERT. It was much better, I think.

Mr. CONNALLY. Is it not a fact that employees who had been engaged in building bridges, steel buildings, and things of that kind were perfectly capable and experienced, so as to be able to fabricate steel ships, as riveters and things of that kind; could they not turn those fellows right into the shipbuilding plants and put them to work?

Mr. TALBERT. I know nothing about that as a practical matter. But my opinion is that they could go to work and could handle steel and the riveting and build steel ships better than wooden ships.

Mr. CONNALLY. -Oh, surely. But I mean, a great many more in proportion were skilled in the steel-ship building line than wooden ships.

Mr. TALBERT. I presume there were, because wooden ships had not been built in this country, I think, for about 30 years.

The CHAIRMAN. That is, a bridge builder or structural-iron worker and riveters could be converted into steel-ship builders better than house carpenters could be converted into wooden-ship builders?

Mr. TALBERT. I think so; yes, sir.

Mr. STEELE. The wooden-ship industry was down, you say, practically to a minimum in this country at the time?

Mr. TALBERT. Yes, sir.

Mr. STEELE. There had not been many built, you, say, for about 20 or 30 years previously?

Mr. TALBERT. That is my understanding.

Mr. STEELE. So it was practically a past industry in the country?

Mr. TALBERT. Yes, sir.

The CHAIRMAN. There had been some wooden sailing ships built, Mr. Talbert, and were being built right along, were there not?

Mr. TALBERT. A very few; my general information comes from talking with builders and with Mr. Skinner, a member of the board, that there had not been many wooden ships built in this country for about 30 years. About 30 years ago and prior to that we did build a good many wooden ships; but since then there have been just a few small plants scattered around over the country, mostly up in Maine, which built these little ships, barges, and things of that kind.

The CHAIRMAN. We will now take a recess until 2 o'clock for luncheon.

(Thereupon, at 12.45 o'clock p. m., the committee took a recess until 2 o'clock that afternoon.)

AFTER RECESS.

The committee resumed its session at 2 o'clock p. m., pursuant to the taking of recess.

TESTIMONY OF MR. CHARLES RICHARD TAYLOR, BUREAU OF PROPERTY, SUPPLIES, AND ACCOUNTS, GENERAL COMPTROLLER'S DEPARTMENT, UNITED STATES SHIPPING BOARD.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. What is your name?

Mr. TAYLOR. Charles Richard Taylor.

The CHAIRMAN. What position do you hold with the Shipping Board?

Mr. TAYLOR. Head of the Bureau of Property, Supplies, and Accounts of the General Comptroller's Department.

The CHAIRMAN. How long have you been with the Shipping Board?

Mr. TAYLOR. Since September 2, 1919.

The CHAIRMAN. And what positions have you held with the board?

Mr. TAYLOR. Just the one.

The CHAIRMAN. And what is your position?

Mr. TAYLOR. Head of the Bureau of Property, Supplies, and Accounts.

The CHAIRMAN. You have an accounting division?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. Do you have anything to do with the sales of property?

Mr. TAYLOR. Accounting for the sales of property.

The CHAIRMAN. That is, after the sale is made you have charge of the accounts for it?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. You have nothing to do with fixing the policy for disposing of property, or selling it?

Mr. TAYLOR. Only the procedure of governing the sale of property that affects the accounting.

The CHAIRMAN. Now, suppose the Shipping Board has a mass of material at a yard which it decides it wants to sell; some scrap steel, or other material, where do you come in contact with that situation?

Mr. TAYLOR. We handle the accounting incident to this being converted from what we term a current asset to a surplus and salvage asset. There is a procedure laid down, making that conversion. If you wish, Mr. Chairman, I do not mind relating the procedure prescribed for that.

The CHAIRMAN. I want to know what you have to do with selling that property.

Mr. TAYLOR. I have nothing whatever to do with it, except to a certain extent supervising the prices received for that material, based upon an appraised value.

The CHAIRMAN. Do you fix prices?

Mr. TAYLOR. No, sir.

The CHAIRMAN. How do you supervise the prices?

Mr. TAYLOR. If the sales division of the property, supplies, and accounts bureau makes a sale for less than the appraised value, and we do not think it is correct, we find out why the material is being sold at the price it is being sold at; if there are extenuating circumstances; if there has been an error of judgment in making the appraisal, we ask for that information from the supply and sales division before we pass on the sale and approve the sale.

The CHAIRMAN. Can a sale be consummated before you approve it?

Mr. TAYLOR. No, sir; it can not. It can be negotiated.

The CHAIRMAN. No; but can it be made and the money passed before you approve it?

Mr. TAYLOR. No, sir; the general comptroller's department must approve it.

The CHAIRMAN. You are under Mr. Tweeddale?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. You are in his department?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. Now, has property been sold and money passed without your approval?

Mr. TAYLOR. Sometimes it has happened.

The CHAIRMAN. How did that happen?

Mr. TAYLOR. A lack of proper functioning of those responsible for the supply and sales division not bringing the same to our attention—to the attention of the general comptroller's department in accordance with the procedure.

The CHAIRMAN. Assuming that there is a lot of material over at a yard where operation and construction work has ceased, and the Shipping Board wants to get rid of it and sell it, what are the various steps that will have to be taken?

Mr. TAYLOR. As a fundamental fact, that material is primarily under the jurisdiction and in the custody of the division construction manager.

The CHAIRMAN. Yes.

Mr. TAYLOR. When he has determined that he no longer needs that material to complete the shipbuilding program, or any portion of it, in which he is interested, he is supposed to certify that material on prescribed forms to the supply and sales division.

The CHAIRMAN. That is, at Philadelphia?

Mr. TAYLOR. Well, wherever the headquarters were at the time.

The CHAIRMAN. Where is it now?

Mr. TAYLOR. In Washington.

The CHAIRMAN. The supply and sales division?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. Is that the division Mr. Lagren is in charge of?

Mr. TAYLOR. He is in charge of the district supply and sales branch at Philadelphia.

The CHAIRMAN. Who is the head of the division?

Mr. TAYLOR. Mr. H. B. Miller.

The CHAIRMAN. Now, it is certified——

Mr. TAYLOR (interposing). Then the inventory section inventories that material, and the appraisal section appraises it; when it has reached that stage it is submitted to the general comptroller's department for his acceptance.

The CHAIRMAN. Through your bureau?

Mr. TAYLOR. Through my bureau finally. It goes through the district office; it is a district proposition; it is a decentralized proposition. Formerly, when it was started, it was a centralized activity; on January 1 the proposition became decentralized, and each district handled the proposition. Prior to January 1 these certifications were supposed to be accepted by the manager of the supply and sales section himself, or his delegated representative. On January 1, 1920, the procedure was modified and the work decentralized, and put in the districts, and the district supply and sales managers were authorized to accept certification, and the supply and sales division of the district comptroller, on the part of the general comptroller, were authorized to accept satisfactory certifications if they found them to be in order; if they were not in order they were rejected and returned.

The CHAIRMAN. Then what?

Mr. TAYLOR. If the property was accepted, it came under the material section of the supply and sales division, and the general comptroller's department charged that account to the supply and sales division at the appraised value.

The CHAIRMAN. Yes.

Mr. TAYLOR. The difference between the appraised value and the original cost value being charged to an account known as appraisal losses.

The CHAIRMAN. Yes.

Mr. TAYLOR. After that the supply and sales division, through the procedure prescribed, proceeded to sell that material.

The CHAIRMAN. Yes.

Mr. TAYLOR. When they negotiated a sale they were supposed, or are supposed, to issue a sales receipt and invoice which is prepared by the supply and sales division usually, together with the funds, or initiatory payments, or full payments, or payment on term, as prescribed and laid down in the sales order; that was certified to the resident sales manager in the district. He, upon advising himself, either accepted or rejected that sale; if it was in conformity with all the procedure prescribed, he accepted it and accepted the initiatory money, and upon that the supply division issued shipping instructions for the custodian of the property in the warehouse or shipyard, and on the basis of that he shipped the goods to the customer. In the meantime, the warehouseman, or whoever is in charge of the material, is supposed to return a copy of these shipping instructions to the resident sales auditor, on the basis of which the invoice passed, and the transaction was closed.

The CHAIRMAN. Where do you come in in all this—where does your bureau come in in all this?

Mr. TAYLOR. My bureau is the central control of all districts; all the certifications, prior to January 1, passed through my bureau before going to the districts.

The CHAIRMAN. Of the surplus?

Mr. TAYLOR. All surplus materials passed through my bureau. Upon the decentralization all certifications were then forwarded to our bureau from the districts. We maintained, in our bureau, a record of all certifications of material which has been certified by whoever had authority to certify salvage and surplus material. We also keep a record of all sales made, terms of payment, terms of accounting, and whatever will be affected by the material.

The CHAIRMAN. In the case of material, say, at Tacoma, Wash., the concentration plant there, under the present system, if John Smith goes to the plant, say, on January 10, and wants to buy certain material in that yard, and makes a bid for it, how long will it be before he will be able to get his material under the present procedure?

Mr. TAYLOR. Not any longer than it would take a man to write his receipts and invoice and present it to the resident sales auditor for acceptance and pay his money in. It would depend altogether upon the expedition of the people who are handling the work.

The CHAIRMAN. So the property out there can be sold on the spot by the resident manager or the custodian?

Mr. TAYLOR. No; it has to be sold through the sales section of the supply and sales division. The custodian there has no authority to sell material unless he is so delegated.

The CHAIRMAN. Where is the sales section?

Mr. TAYLOR. Usually the sales section has a corps of salesmen who handle the proposition.

The CHAIRMAN. Where would the sales section be?

Mr. TAYLOR. On the west coast the sales section is in Portland.

The CHAIRMAN. Then, if he went to Tacoma, he would have to get his offer or bid to Portland before it could be accepted?

Mr. TAYLOR. My understanding is that there is a salesman stationed there that can meet people and take bids.

The CHAIRMAN. Take the money and give a receipt?

Mr. TAYLOR. No; the money can not be accepted there. It would have to be paid to the resident sales manager, who could take the money and give a receipt.

The CHAIRMAN. That is in Portland?

Mr. TAYLOR. That is in Portland. We have several methods of handling that. If a yard is sufficiently large to justify a man giving his whole time and attention to a yard, he is delegated to that place to approve sales.

The CHAIRMAN. Well, is there one at Tacoma?

Mr. TAYLOR. I don't think there is one at Tacoma.

The CHAIRMAN. Why; because there is not enough property there?

Mr. TAYLOR. There is enough property there, but not enough sales to justify a man there constantly just to handle those sales.

The CHAIRMAN. Would it cost any more to have him there than at Portland; it would not cost any more to have him at Tacoma than at Portland?

Mr. TAYLOR. At Portland he handles other sales than at Tacoma.

The CHAIRMAN. What other sales?

Mr. TAYLOR. Vancouver and other places around there from which material is sold, if the resident manager could handle the proposition.

The CHAIRMAN. Has there been more property sold at the Grant-Smith-Porter yard at Portland—where is that other concentration point?

Mr. TAYLOR. St. Johns concentration yard.

The CHAIRMAN. Where is that?

Mr. TAYLOR. At Vancouver.

The CHAIRMAN. At Vancouver?

Mr. TAYLOR. Yes; that is just outside of Portland.

The CHAIRMAN. That is the place. Is there not more property being sold out of that yard than there is out of the Tacoma yard?

Mr. TAYLOR. I can not answer that question definitely just now without going to the records.

The CHAIRMAN. How much property has there been certified as surplus, do you know?

Mr. TAYLOR. Cost or appraisal value?

The CHAIRMAN. Appraised value.

Mr. TAYLOR. You mean—

The CHAIRMAN (interposing). I mean for all districts.

Mr. TAYLOR. Including canceled hulls, approximately \$86,000,000 to date.

The CHAIRMAN. And is all that property being sold?

Mr. TAYLOR. A large part of it has been sold.

The CHAIRMAN. That includes what has been sold?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. What are the canceled hulls appraised at; those that are afloat at the—

Mr. TAYLOR (interposing). In proportion to the cost?

The CHAIRMAN. No; what is the appraised value?

Mr. TAYLOR. They amount to date to approximately \$15,000,000.

The CHAIRMAN. \$15,000,000?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. Do you know how many of those hulls they have?

Mr. TAYLOR. I would prefer to refer to my records on that if it is agreeable.

The CHAIRMAN. Have you your records here?

Mr. TAYLOR. No; I have not. I did not know what questions you were going to ask, and I did not bring anything.

The CHAIRMAN. Are there any accumulations of sales receipts in any of these districts that have not been transmitted to the comptroller's office?

Mr. TAYLOR. At the present time very few, if any. That condition did not prevail, however, three or four months ago.

The CHAIRMAN. What was the reason for the delay in transmittal of those?

Mr. TAYLOR. A lack of conception or functioning under the procedure laid down; a continual change in personnel; a constant necessity for educating new personnel in handling the work.

The CHAIRMAN. Now, is there any considerable amount of property which has been sold, or arrangement for its sale has been made, which has been thrown back on the Shipping Board through failure of the purchaser to carry out his agreement?

Mr. TAYLOR. Not in any material degree; there have been small amounts, relatively speaking; not in any great amount.

The CHAIRMAN. Approximately what was the cost of this property the appraised value of which is about \$86,000,000; what was the cost of it?

Mr. TAYLOR. About \$240,000,000. That includes shipbuilding material, supplies, plant property and equipment that has been certified, and hulls that have been certified.

The CHAIRMAN. So that the appraised value is a little over one-third of the cost of the material?

Mr. TAYLOR. Taken at a lump sum, yes, sir.

The CHAIRMAN. Approximately, at your own figures?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. Now, how near the appraised value are the sales made?

Mr. TAYLOR. Taking it as a lump sum up to date, which probably would include the cream of that stuff which has been certified, there has been realized, I should say, approximately, about 80 per cent of appraised value.

The CHAIRMAN. On the property sold?

Mr. TAYLOR. Yes; on the property sold. That includes the cream of the stuff that was sold.

The CHAIRMAN. Some of it was sold higher than the appraised value, was it?

Mr. TAYLOR. A little, but very little.

The CHAIRMAN. Is the market value for that material at the present time?

Mr. TAYLOR. No, sir.

The CHAIRMAN. It has not been for weeks, has it?

Mr. TAYLOR. No, sir.

The CHAIRMAN. Of course, with the result that the offers you get are at a much lower percentage of the appraised value?

Mr. TAYLOR. Considerably.

The CHAIRMAN. How nearly up are you with declaring the property surplus; how much is there yet to be declared surplus, if you know?

Mr. TAYLOR. I would estimate that at least 80 per cent has been certified as surplus.

The CHAIRMAN. Are any contracts made now without the knowledge of the home office, and deliveries of material?

Mr. TAYLOR. Not now.

The CHAIRMAN. Well, can the material be sold and delivered before the home office knows about it?

Mr. TAYLOR. Material can be sold and delivered under the instructions without the home office being apprised of the fact immediately, but we would know it in due course.

The CHAIRMAN. How long before you would know in the case of the sale of property—

Mr. TAYLOR (interposing). Oh, it would not be unknown to the district manager through his office, but the home office would not be notified, in due course, for probably a week or ten days.

The CHAIRMAN. A week or 10 days?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. In that case, if the home office should have a better offer for certain material which had been already sold, the resident representative of the home office would not know about that fact—

Mr. TAYLOR (interposing). That is a procedure that is handled, Mr. Chairman, by the supply and sales division; it only comes to our attention when the negotiation has been agreed to for our acceptance of the sale. The negotiating of a sale by the districts of the home office is a supply and sales activity through its sales section.

The CHAIRMAN. Do you know of any instances where the supply and sales division of the Fleet Corporation have handled material which has been sold to a concern, and resold to somebody else, where they practically acted as a selling agent for the purchaser of the material?

Mr. TAYLOR. I do not quite get that question, Mr. Chairman.

The CHAIRMAN. Do you know of any instance where the force in the supply and sales department in any particular district has sold property to a purchaser and then acted for the purchaser in selling that property to somebody else?

Mr. TAYLOR. No, sir.

The CHAIRMAN. Do you recall anything connected with the southern scrap material contract at New Orleans?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. Was that property sold without the knowledge of the home office?

Mr. TAYLOR. It was; that is, the general comptroller's office.

The CHAIRMAN. That is the home office, is it?

Mr. TAYLOR. Yes, sir. The home office of the supply and sales also is here.

The CHAIRMAN. Was that sold without the knowledge of the supply and sales home office?

Mr. TAYLOR. I don't think so.

The CHAIRMAN. Was that delivered to the purchaser without the knowledge of the home office?

Mr. TAYLOR. It was; the general comptroller's department.

The CHAIRMAN. Was it delivered to the purchaser without the knowledge of the home office of the supply and sales division?

Mr. TAYLOR. I am not prepared to answer that.

The CHAIRMAN. Now, did the agents of the Supply and Sales Department sell that material for the account of the Southern Scrap Material Co., and accept checks payable to that company?

Mr. TAYLOR. Not to my knowledge.

The CHAIRMAN. It did not?

Mr. TAYLOR. Not to my knowledge.

The CHAIRMAN. Do you remember the sale of oakum in the southern district to Ness & Co.?

Mr. TAYLOR. I was in New Orleans at the time that that sale was being talked about.

The CHAIRMAN. Did you make the sale yourself?

Mr. TAYLOR. No, sir.

The CHAIRMAN. Well, do you know whether it was sold to Dietz & Co. at New York?

Mr. TAYLOR. It came to my knowledge while I was in New Orleans that that had been done.

The CHAIRMAN. Is there any other Taylor connected with the Supply and Sales Department?

Mr. TAYLOR. No, sir. They often get me mixed up with the Supply and Sales Division. I am as often accused of being in the Supply and Sales Division as being a general comptroller's man.

The CHAIRMAN. You are a general comptroller's man?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. Is there any other Taylor in the General Comptroller's Department?

Mr. TAYLOR. No, sir.

The CHAIRMAN. Have you any knowledge of that sale being called off, and the oakum later being sold for 6½ and 7 cents a pound?

Mr. TAYLOR. My recollection of that sale is this: I happened to be in the office of the district director of sales at that time that this came up. Mr. Rocap, the district director, stated to me he had made a sale of oakum, all the oakum in the southern district, to Mr. Ness, at 9 cents a pound, but that he had received, subsequent to that sale to Mr. Ness, a notice that all the oakum east of the Rocky Mountains had been sold to Mr. Dietz, in New York, at 7 cents a pound. It appeared to me at that time that Mr. Rocap was absolutely correct and right in his sale; that the sale of the oakum in the southern district to Mr. Dietz was wrong. I wired a protest to the manager of the supply and sales division in Washington against the sale of all the oakum to Mr. Dietz, saying that it had been sold already to Mr. Ness at 9 cents a pound. I think I am correct in those figures. Notwithstanding that fact, the sale made in New York, in the New York office of the Supply and Sales Division, was sustained, and oakum was sold to Mr. Dietz at 7 cents a pound, who, in turn, sold a certain amount of it, I believe, to Mr. Ness, if I remember correctly, at 7½ cents a pound. I protested against the sale at that time, and am on record.

The CHAIRMAN. Did it go through?

Mr. TAYLOR. It went through at 7 cents a pound to Mr. Dietz at New York.

The CHAIRMAN. Well, did you ever get any explanation of why that was done?

Mr. TAYLOR. I have a writeup of that, as a matter of record, Mr. Chairman, that it was due, as near as I could get it, to the crossing of wires; a delay in delivery of information between the telegraph office, and things of that kind.

The CHAIRMAN. That is to say, New York had consummated a sale to a man, and Mr. Rocap in New Orleans did not know it, and he had made a sale on his own account there, as acting for the Fleet Corporation?

Mr. TAYLOR. Mr. Dietz had submitted his offer, I understand, through Mr. Chase, who was in the office of the supply and sales division in New York, to the home office, for their approval. Mr. Rocap submitted an offer to the home office of Mr. Ness at 9 cents a pound. Apparently the home office acted on the offer of Mr. Dietz before they actually received the telegram from Mr. Rocap advising them of his offer. It appears that the notification of the home office to Mr. Rocap in New Orleans was sent just an hour or two or a few hours before the receipt of the telegram from Mr. Rocap saying that he had sold or had an offer from Mr. Ness for this oakum at 9 cents a pound.

The CHAIRMAN. So that whatever loss there may have been, if there was any, to the Shipping Board, or the Fleet Corporation, in this instance, was due to a delay in the transmitting of information?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. And under the system that is in vogue now, could a transaction like that occur; could a delay like that occur or could the property be sold to two different people?

Mr. TAYLOR. I doubt it very much.

The CHAIRMAN. You think that has been remedied?

Mr. TAYLOR. I think that has been remedied.

The CHAIRMAN. Have you got any idea of what the expense, the overhead is in the organization which the Shipping Board or the Fleet Corporation, have for disposing of its surplus material now?

Mr. TAYLOR. In a lump sum amount, do you mean?

The CHAIRMAN. Yes; or approximately.

Mr. TAYLOR. I prefer not to give a figure, Mr. Chairman. I will prepare you one.

The CHAIRMAN. Can you give us some idea——

Mr. TAYLOR (interposing). I can.

The CHAIRMAN. About what the overhead is of that sales organization?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. I think the committee would like to have that information.

Mr. TAYLOR. I can.

The CHAIRMAN. Do you know how many men they have in the force?

Mr. TAYLOR. I can not answer that question.

The CHAIRMAN. Do you recall the Bardee contract?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. What was that contract for?

Mr. TAYLOR. That contract covered a sale of all hull owned by the Fleet Corporation at the time the contract was made or which afterward became the property of the Fleet Corporation through cancellation settlements and otherwise.

The CHAIRMAN. Is that all you know about it?

Mr. TAYLOR. Why, I know a good deal. I know there has been a good deal of steel delivered to them under that contract.

The CHAIRMAN. Yes.

Mr. TAYLOR. I know there are questions that have arisen as to the proper interpretation of the contract.

The CHAIRMAN. Yes.

Mr. TAYLOR. There have been three amendatory contracts made under that one.

The CHAIRMAN. Yes.

Mr. TAYLOR. That the original amount of steel that was estimated that would be delivered under that contract is considerably less than it was thought originally to be; it was the thought originally that the amount of steel to be sold under that contract would approximate \$11,000,000. That was later modified by the supply and sales division and reduced from \$11,000,000 to \$5,000,000. Up to the present time there has been delivered to the Barbee Steel & Products Corporation, and invoices rendered, of approximately \$3,750,000. The contract has been modified, as I say, three times since the original was made.

The CHAIRMAN. With what results to the Fleet Corporation was the modification of the contract?

Mr. TAYLOR. These modifications of the contract amplified the original contract to the extent of defining what should be considered fabricated, unfabricated, and scrap steel.

The CHAIRMAN. You say it amplified the original contract?

Mr. TAYLOR. Yes; rather defined it, more than amplified it, rather.

The CHAIRMAN. Well, did the third modification include more material than the original contract, or less, or did it just make different classifications?

Mr. TAYLOR. Different classifications.

The CHAIRMAN. Changed the classifications?

Mr. TAYLOR. Yes; it amplified the classifications?

The CHAIRMAN. So as to take in more material?

Mr. TAYLOR. No; it really cut out some material.

The CHAIRMAN. Well, would you say it amplified the classification?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. Or restricted it?

Mr. TAYLOR. Under the original contract it became necessary—as I say, the original contract provided that the steel was to be divided in three classes, unfabricated, fabricated, and scrap; the Barbee Steel Corporation purchased unfabricated and fabricated steel. A question arose, and under date of July 6, I think it was, an amendatory contract was made, in which was taken into consideration round—that is, rolled shapes; “plain and rolled shapes of steel” is the language; and it was determined that all steel 15 feet and less in length, of plain and rolled shapes, should be classified as fabricated steel. There was some misunderstanding in regard to that, in that the term used “less than 15 feet in length” was intended to mean 15 feet and

less in length, and the contract of August 6 made that plain. In addition thereto——

The CHAIRMAN (interposing). Wait just a minute; what is that you say; you say the term "less than 15 feet in length" was intended to mean 15——

Mr. TAYLOR (interposing). Fifteen feet and less in length. "Less than 15 feet in length" was the way it read, and it was changed to read "15 feet and less."

The CHAIRMAN. What is the difference?

Mr. CONNALLY. To include the one which was exactly 15 feet

Mr. TAYLOR. In other words——

The CHAIRMAN (interposing). If it was 14 feet 11 $\frac{3}{4}$ inches it was——

Mr. TAYLOR (interposing). Fabricated steel; and if it was 15 feet it was unfabricated steel, and it was changed so that 15 feet was fabricated steel, and less. And then it further amplified and defined what was the sketch plates, which was not taken into consideration at the time of the original contract; they were classified and made plain as to that.

An additional amendment to the contract, under date of January 6 of this year, that 15-foot clause was again modified in order to determine what should be scrap, as the original contract stated that the Bardee corporation was not to take any scrap, but scrap had never previously been defined. The contract of January 6 stated that anything in the way of plain rolled shapes, flat, round, bar iron or rivet rods 10 feet and under in length should be considered as scrap, and did not come under the contract.

The CHAIRMAN. January 6 of this year?

Mr. TAYLOR. Yes, sir. With this exception, that any steel which had been shipped by Bardee prior to the date of this contract should not come under the terms of this amendatory contract of January 6.

The CHAIRMAN. Who drew the original contract?

Mr. TAYLOR. The legal department in Philadelphia.

The CHAIRMAN. Do you know who?

Mr. TAYLOR. I do not know, sir, but I can refer to the contract and see by whom it was approved as to form.

The CHAIRMAN. Now, did any of those modifications of the contract result in the Bardee company not having to take material which had been riveted together or fastened together?

Mr. TAYLOR. Such as you would class, I presume, as assembled steel?

The CHAIRMAN. Yes, or small pieces of steel that had been riveted together.

Mr. TAYLOR. Assembled steel, I do not think, was ever mentioned in the contract.

The CHAIRMAN. What is that considered as—scrap steel?

Mr. TAYLOR. Mr. Chairman, I have labored diligently to find out among steel men what constituted fabricated or scrap steel.

The CHAIRMAN. Well, is he taking that sort of steel?

Mr. TAYLOR. I think not; I am not positive. I think possibly he has taken some of that stuff as fabricated steel.

The CHAIRMAN. Where there is more than one piece?

Mr. TAYLOR. Yes; where it has been riveted together.

The CHAIRMAN. Where it is riveted together, whether two or more pieces?

Mr. TAYLOR. I think he has taken some; I would not be positive about it.

The CHAIRMAN. Has any question arisen with reference to that sort of material, in the interpretation of the contract?

Mr. Taylor. Not at any time at which I have been present, nor has it come to my knowledge.

The CHAIRMAN. Is there a considerable quantity of this steel yet to be delivered under the Bardee contract?

Mr. TAYLOR. That I am not prepared to say. Mr. Miller probably could answer that question.

The CHAIRMAN. You say that has not got down to \$3,000,000 of the \$11,000,000 originally?

Mr. TAYLOR. I think when all the steel which has been certified to Mr. Bardee has been delivered that it will amount to something over \$4,000,000; between \$4,000,000 and \$5,000,000.

The CHAIRMAN. How do they secure bids for this property now; by advertising or solicitation?

Mr. TAYLOR. By advertising and by solicitation both.

The CHAIRMAN. And is most of it sold at private sale or——

Mr. TAYLOR (interposing). In large lots it is usually sold by advertising and public bidding.

The CHAIRMAN. Do they sell any of it at auction?

Mr. TAYLOR. I do not know of but three instances where auctions have taken place; one of those was Midland Bridge; another one was the Union Bridge, and the other was an experimental sale at Metuchen, I think it was last January.

The CHAIRMAN. Now, under this Bardee contract, who pays for the loading of the steel?

Mr. TAYLOR. The contract provides that the Shipping Board—the stuff is sold f. o. b., excepting in certain instances provided in the contract.

The CHAIRMAN. What are those instances, do you know?

Mr. TAYLOR. In certain yards where the three corporations had contracts for steel to be loaded by the manufacturer.

The CHAIRMAN. Are you familiar with the system of the warehousing of this property?

Mr. Taylor. Yes, sir.

The CHAIRMAN. Have they got a good system of records of property in the warehouses so they know where it is and how much there is of it, and when it is removed?

Mr. TAYLOR. The warehouse records are nothing to brag about.

The CHAIRMAN. The Shipping Board has recently advertised for proposals for furnishing manila rope, has it not?

Mr. TAYLOR. I think that has come to my knowledge.

The CHAIRMAN. Now, would you say that from the warehouse records they are able to say that there is no manila rope on hand in some of the warehouses?

Mr. TAYLOR. I doubt very much if they are in position to say just exactly what they have got in the way of that stuff.

The CHAIRMAN. Is that situation improving, are they perfecting the records, do you think?

Mr. TAYLOR. In some places, yes; in others, no.

The CHAIRMAN. Do you know how many warehouses they have, Mr. Taylor?

Mr. TAYLOR. I think we have nine now.

The CHAIRMAN. Of course, the warehouses occupy a sort of dual position, perhaps, in so far as they may contain material which may be needed in the operation of ships, and also they contain material that is not needed for operation, but which it is desired to dispose of?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. And until they get those records perfected or straightened out, there will be more or less confusion with reference to the property that is housed or stored there?

Mr. TAYLOR. Without doubt.

The CHAIRMAN. Now, is there a uniform system of inventorying the property that is supposed to be in those warehouses?

Mr. TAYLOR. Inventory has gone on for some time past, but records have not been maintained as they should be.

The CHAIRMAN. Under whose jurisdiction are the warehouses?

Mr. TAYLOR. Under the Supply and Sales Division.

The CHAIRMAN. Of the various districts, or at the home office?

Mr. TAYLOR. They are under the jurisdiction now of the home office, delegated to the district directors, as a rule.

The CHAIRMAN. Does the operating division have any jurisdiction over them?

Mr. TAYLOR. Not since April 20, 1920, at which time the board of trustees, by resolution, turned the operations division and warehouses over to the division of supplies and sales for custody and handling.

The CHAIRMAN. And since that time, I assume, large quantities of materials have been put into the warehouses?

Mr. TAYLOR. Large quantities; yes, sir.

The CHAIRMAN. As well as large quantities taken out?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. Do you know of any instances where office supplies, typewriters, filing devices, and desks have been sold in certain districts, and shortly thereafter that same material, in the same district, or an adjoining district have been bought in the open market?

Mr. TAYLOR. I could only answer that generally, Mr. Chairman. I know a good deal of that stuff has been sold, and there have been purchases of a like nature and character.

The CHAIRMAN. Can you give the committee your ideas—and we are asking you for it; we are not asking you to volunteer it—we are asking you to give your opinion as to what may be necessary to bring up this warehouse accounting and recording system; the handling of property in warehouses and keeping track of it, and so forth, in a more efficient manner, and bring it up to a more efficient state.

Mr. TAYLOR. In every instance where we to-day do not have a complete and accurate record of the material in warehouses an inventory should be made, and a complete and accurate record made of it.

The CHAIRMAN. It would pay the Shipping Board to employ a special force of experts or skilled men to make that inventory, would it not, in cases where they haven't got it?

Mr. TAYLOR. I think it would pay them, because they would then be in a more intelligent position to say what they have to sell.

The CHAIRMAN. Is there anything else that you would suggest to improve that situation?

Mr. TAYLOR. Sometime ago I think the chairman of the board appointed a committee for the purpose of preparing a list of such mate-

rials as might be needed to complete the shipbuilding program, and such material and supplies as might be needed for the division of operations purposes, but I am under the impression that that committee has never functioned to any marked degree, and unless something of an intelligent nature along that line is done, I do not think it would pay to hold up material for the sake of saying that to-morrow or the next day or the next year you may need this anchor, or you may need this bunch of chains.

The cost incident to the holding up of that material is so great that they would almost better give it away and buy it new when they need it, unless some intelligent and cooperative effort is made on the part of those interested to find out what material would likely be needed to complete the shipbuilding program, and would likely be needed for Division of Operations purposes.

The CHAIRMAN. If that committee should go ahead and ascertain the various classes of property they have on hand, or some other official should, and report to the Division of Operations, for instance, the cables or manila rope or anchors and various other classes of property that are used in the operation of ships that they have so many or so much of those on hand at the various points in the country, would not that be of value and possibly result in a saving to the Shipping Board, if it were done and sent to the warehouses to be drawn on by the operating division when needed?

Mr. TAYLOR. Mr. Chairman, I think if the matter was turned around just the other way and if the Division of Construction and the Division of Operations were to furnish the Division of Supply and Sales with a list of such materials, supplies, and equipment as they though they would need, it could be more easily and intelligently arrived at, for this reason: That the nature and character of the material that has become surplus by reason of the cancellation of the program is of an obsolete character, specially designed, and not at all standard, and in a good many instances, even where certain equipment had been placed on ships at the time they were delivered, it has become necessary to replace certain parts of that equipment, as I am told, by the construction men, they are replacing it with the material now being installed.

The CHAIRMAN. Because it is not improved?

Mr. TAYLOR. Not only not improved, but it is not meeting the requirements for which it is designed. And if the Division of Construction and the Division of Operations would furnish the Supply and Sales Division with the Supplies they need, then it would place the Division of Supply and Sales in the position to segregate that material and hold it for future issue.

The CHAIRMAN. Then you would sort of reverse the plan I included in my question, but it would result in a saving?

Mr. TAYLOR. The same thing.

The CHAIRMAN. It would be the same thing and would result in a saving?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. And as I understand neither plan is in force now?

Mr. TAYLOR. No, sir.

The CHAIRMAN. So that the division of operations does not know whether the Shipping board of the fleet corporation already has on hand material or supplies that may be needed for some of its ships,

and it goes into the open market and makes purchases sometimes when they have the material or supplies on hand and could utilize them?

Mr. TAYLOR. That is being done to some extent now. When the board of trustees directed the transferring of the division of warehouses to the division of supplies and sales and the taking of inventory of supplies then in the warehouses particular care was exercised in segregating such of that material as it appeared would be needed for reissue to the division of operations or construction as nearly as could be determined by the nature and character of the material. Also as surplus material that is taken off the ships to-day that might be laid up, or things of that kind, an effort is being made to segregate any material, supplies, or equipment that it is thought might be needed for reissue. I think that is the manner in which it is coming in now, and the way it is being declared a surplus. Such material has been declared surplus and ready for sale and issue. An effort is being made along that line, and, as I say, at the present time all that material that is coming in from the division of operations.

The CHAIRMAN. Now, how long, in your judgment, will it take, Mr. Taylor, to clean up the surplus property on hand and dispose of it by sale?

Mr. TAYLOR. It depends altogether on the policy adopted by the sales section of the supply and sales division.

The CHAIRMAN. Under its present policy, how long would it take?

Mr. TAYLOR. Judging the future by the past, it would take at least two years.

The CHAIRMAN. Can you give the committee any idea of any changes in the policy, other than the lowering of the prices, which might expedite the disposition of this property?

Mr. TAYLOR. Mr. Chairman, I have favored the handling of this surplus and salvage situation as a lump-sum proposition. I have advanced the thought that the thing to do was to determine accurately and intelligently the surplus material and supplies on hand, and when that once was determined—it never has been determined up to date—to attempt to segregate that material into the needs of the construction division and the division of operations and sell the balance of it as a lump-sum proposition for cash and do away with the enormous overhead expense of an attempted retail sale.

The CHAIRMAN. Do you think that, not knowing the location and the quantity and the condition of this material, that after this segregation had been made of that which might be used in construction and repair and that in the operations division, that you could get a lump-sum bid for that property anywhere near or commensurate with its appraised value?

Mr. TAYLOR. Not unless you could intelligently show what material you had.

The CHAIRMAN. Oh, of course this property has got to be sold at a loss.

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. And it is your judgment that it would be better to dispose of it in one transaction and get rid of this overhead organization, your sales force and accounting force, and eliminate the various bookkeeping transactions and clean it out and get rid of it, and charge off that loss, rather than to attempt to dispose of it in the manner in which it has been done?

Mr. TAYLOR. I do, sir. Of course, there are many ways in which that can be done. If a lump-sum cash proposition could not be secured, some arrangement might be made with some one—some well organized selling agency, that had its selling organization perfected throughout the world—and there are several throughout the United States who already have a better selling organization than the United States Shipping Board and Fleet Corporation would be able to build up in years.

The CHAIRMAN. For instance, what?

Mr. TAYLOR. The Harris Bros. Co. is one, and the Bardee Corporation, I think, to-day have a great selling organization throughout the world. And there are several others who have been bidders that I do not recall the names of just now, who have selling organizations that might be interested in handling it on a commission basis with a proper supervision as to the delivery and handling of the funds derived from the sale of this stuff to the Shipping Board.

The CHAIRMAN. Of course, in an arrangement such as that there would be required a supervisory force and accounting force to be retained in the Shipping Board?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. Has that plan ever been taken up for consideration; that is, the disposing of this in a lump sum that you know of?

Mr. TAYLOR. I do not believe that the matter has ever been considered, cleaning the matter up as a strictly lump-sum proposition, by anybody. I do not believe up to the present time it has been offered in a lump sum. Of course, I have advanced it to my chiefs, but that is not my business. I have suggested it to them.

The CHAIRMAN. How about the depreciation of this property?

Mr. TAYLOR. Very rapid, sir.

The CHAIRMAN. And a lot of it was constructed or designed or made for particular types of ships, was it not?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. Some of the engines?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. And boilers?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. And pumps and dynamos, and winches and windlasses were all made for these particularly designed ships?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. So that many of them might not fit into other craft as well as the more standard designs that are used?

Mr. TAYLOR. We have large quantities of that class of material.

The CHAIRMAN. Is there a list or an inventory here in Washington, if you know, which contains the very items of surplus property throughout the country?

Mr. TAYLOR. There are inventories of the material in our various warehouses throughout the country. There are inventories of a good many of the shipyards throughout the country. I am not prepared to say that I would be willing to accept them as gospel.

The CHAIRMAN. By whom were those inventories made?

Mr. TAYLOR. By the various forces under the jurisdiction of the supply and sales office, as a rule, except New York, where it was made under the jurisdiction of the district manager.

The CHAIRMAN. Has that property been appraised?

Mr. TAYLOR. The majority of it has.

The CHAIRMAN. By the same men who made the inventory?

Mr. TAYLOR. Under the same division.

The CHAIRMAN. Under the same division?

Mr. TAYLOR. Yes, sir. The functions of the division of supplies and sales are various. They act as purchasers of material; they act as warehousemen of material; they act as inventory men of material, as appraisers of material, and as salesmen of material through its various branches, all coming under the direction of the division manager through its various heads; being understood, however, that none of these various branches, although it is under one head, should link in and mix in with the others. However, the human element is there, and whether it does or not you can draw your own conclusions.

The CHAIRMAN. It usually does in such an organization as that, does it not?

Mr. TAYLOR. I am on record as opposed to the appraisal of materials to be sold being under the supply and sales division on the general principles that I do not consider it good organization.

The CHAIRMAN. Are you familiar with the sale of the National Shipbuilding plant?

Mr. TAYLOR. I only know of it as having come to me as approved by the board.

The CHAIRMAN. Is there quite a difference between the amount received for that plant and the original cost?

Mr. TAYLOR. The original cost of plant and material, as reflected on our books in that case, was approximately \$450,000, I think. The appraised value was somewhere in the neighborhood of about \$80,000. It was sold for \$39,900 and approved by the board.

The CHAIRMAN. Well, there is an instance of where they got rid of it?

Mr. TAYLOR. They got rid of it; yes, sir.

The CHAIRMAN. Do you think they could have gotten more for that property?

Mr. TAYLOR. I am not prepared to say. All that I would say in regard to that would be hearsay. I have been told that there was an offer at one time made for it—I never have been able to nail it—of \$70,000. I have not been able to nail that. I have made some inquiries as to the cause for such a price, which you will realize is approximately only about 8 or 9 per cent of its cost, and I have been told that the location of the plant was such that it made it absolutely useless for any purpose whatsoever, and the only thing of any value there at all might be the equipment—the covered equipment. I did not visit that plant myself at all, and I do not know.

The CHAIRMAN. But that was one of the emergency plants built during the great press to get ships constructed?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. Now, under the present system is it possible for contractors under construction and repair work to purchase really more materials than are needed, particularly in repair work under time and material contracts?

Mr. TAYLOR. Is it possible for them to defraud?

The CHAIRMAN. Yes.

Mr. TAYLOR. At the present time, you mean?

The CHAIRMAN. Yes.

Mr. TAYLOR. I am not prepared to answer that question.

The CHAIRMAN. Are you familiar with any case where material has been purchased, or has been taken off of one ship and put in another and the Shipping Board charged up for it, paying for it practically twice?

Mr. TAYLOR. No, sir.

The CHAIRMAN. That is repair work; you do not know anything about that whatever?

Mr. TAYLOR. No, sir.

The CHAIRMAN. You do not have anything to do with that?

Mr. TAYLOR. No, sir.

The CHAIRMAN. Did you have anything to do with material that the Fleet Corporation has on hand being furnished to the operators for repair work?

Mr. TAYLOR. No, sir.

The CHAIRMAN. That does not come under you?

Mr. TAYLOR. No, sir.

The CHAIRMAN. And that does not come under the supply and sales division?

Mr. TAYLOR. Yes, through its purchasing department.

The CHAIRMAN. Through the purchasing department of the supplies and sales?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. Do they make the purchases?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. I do not mean purchasing material in the market; I mean material that the Shipping Board has on hand.

Mr. TAYLOR. Even so it would go to the purchasing department through requisition.

The CHAIRMAN. Oh, yes.

Mr. TAYLOR. And the purchasing department, on the basis of the requisition, would order the stuff from the sales section of the supply and sales division; and it would be billed to the operator, or the division of operations through either the sales channel or a direct bill.

The CHAIRMAN. Now, about the question of salvage of plants and uncompleted hulls and material: with reference to the salvaging of plants, Mr. Taylor, what have you to say about that?

Mr. TAYLOR. When a plant first ceases to operate it is supposed to be certified to the division of supply and sales, who determine as to whether or not that can be sold as a plant project, or whether it shall be dismantled and sold in units. That is determined according to each particular case. If the plant is located in a section that makes it accessible for future business, an effort is made to dispose of that plant in its entirety, without breaking it down. If it is so located that it is inaccessible, and it was a war project, in the majority of instances it is torn down and it is sold as equipment and salvage. In those cases, of course, the loss is very great. I doubt, taking it by and large, that the recovery on what we call plant and property—that does not include shipbuilding property, supplies, and so on—would be more than 13 to 15 per cent of the cost value.

The CHAIRMAN. Most of the wood shipbuilding plants will have to be dismantled, I suppose?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. Have some of those plants been turned over to the contractors in settlement?

Mr. TAYLOR. In some instances.

The CHAIRMAN. Is that of advantage of the Shipping Board, do you think, where they can get a contractor, in settling up his claim, to take over the plant which the fleet corporation has erected and paid for?

Mr. TAYLOR. I would have to leave that to the determination of those who have it in hand. I am not capable of judging it.

The CHAIRMAN. Do you know whether any of those plants have been sold at auction?

Mr. TAYLOR. As I stated at the beginning of my testimony, the only two I know of, one was the Midland Bridge——

The CHAIRMAN (interposing). Oh, that included every plant?

Mr. TAYLOR. The plant, material, and everything.

The CHAIRMAN. A clean sweep?

Mr. TAYLOR. Yes; lock, stock, and barrel.

The CHAIRMAN. And those plants have been cut free and clear from the Shipping Board?

Mr. TAYLOR. Not in existence any more.

The CHAIRMAN. Do you know anything about the American Lumber Sales contract?

Mr. TAYLOR. I know there is such a contract.

The CHAIRMAN. Are you familiar with its provisions?

Mr. TAYLOR. In a general way only.

The CHAIRMAN. You do not know anything about the details?

Mr. TAYLOR. No, sir.

The CHAIRMAN. I think that is all. Have you any questions, Mr. Steele?

Mr. STEELE. Yes; a few.

You stated, Mr. Taylor, that in your judgment it would be most advantageous to the Government to dispose of this material in a lump sum?

Mr. TAYLOR. Yes, sir.

Mr. STEELE. I suppose you have in mind the maintenance of the sales department was so great an expense that it would practically eat up a good deal of the proceeds of the sale?

Mr. TAYLOR. That is my idea, sir.

Mr. STEELE. Do you know about what percentage of the expense of the sale is to the amount realized in sales of this kind?

Mr. TAYLOR. As I stated to the chairman awhile ago, if you give me an opportunity, I will present those figures. I do not want to use figures rashly.

Mr. STEELE. You could not give that to us approximately?

Mr. TAYLOR. I would prefer not to.

Mr. STEELE. You have referred to the Bardee contract, which you say was originally for about \$11,000,000, and by the amendatory contract reduced to about \$5,000,000?

Mr. TAYLOR. No, sir; the amendatory contracts did not reduce it to \$5,000,000. The amendatory contracts only amplified the original contract as to terms and interpretation. The original estimate of \$11,000,000 was an estimate placed by the Supply and Sales Division on the material that would come back in the contract. A later investigation revealed there would not be anything like that much.

- Mr. STEELE. So that is simply a reduction in estimate?
- Mr. TAYLOR. That is all that that amounted to.
- Mr. STEELE. The amendatory interpretations that were made upon that contract, did they result in advantage to the Government?
- Mr. TAYLOR. I should say no.
- Mr. STEELE. You should say no?
- Mr. TAYLOR. Yes, sir.
- Mr. STEELE. To what extent was the disadvantage?
- Mr. TAYLOR. Very small.
- Mr. STEELE. Is there more than one Bardee contract?
- Mr. TAYLOR. That is all I know of.
- Mr. STEELE. Does this include the Pacific Coast material?
- Mr. TAYLOR. Only so far as steel is concerned.
- Mr. STEELE. I beg your pardon?
- Mr. TAYLOR. Only so far as the steel is concerned.
- Mr. STEELE. Did the making of this Bardee contract result in the reduction of any of your sales cost on the coast?
- Mr. TAYLOR. No, sir.
- Mr. STEELE. Do you still maintain the sales department on the coast?
- Mr. TAYLOR. Yes, sir. I think it has been considerably reduced, however, at this time.
- Mr. STEELE. As the result of that contract, or for other causes?
- Mr. TAYLOR. No; it is the policy of Mr. Miller's Supply and Sales Division; a change of policy.
- Mr. STEELE. I believe that covers what I want.
- The CHAIRMAN. Is there anything, Mr. Connally?
- Mr. CONALLY. I do not believe I have any questions to ask Mr. Taylor.
- The CHAIRMAN. Will you get these figures for which you were asked, Mr. Taylor?
- Mr. TAYLOR. I will.
- The CHAIRMAN. And you can send them to the committee when you have them prepared.
- Mr. TAYLOR. Yes, sir.
- The CHAIRMAN. That is all.

TESTIMONY OF MR. HAROLD B. MILLER, DIRECTOR, DIVISION OF SUPPLY AND SALES, UNITED STATES SHIPPING BOARD.

- (The witness was duly sworn by the chairman.)
- The CHAIRMAN. What is your name?
- Mr. MILLER. Harold B. Miller.
- The CHAIRMAN. What position do you hold with the Shipping Board or Fleet Corporation?
- Mr. MILLER. Director division of supply and sales.
- The CHAIRMAN. You are the head of that division?
- Mr. MILLER. Yes, sir.
- The CHAIRMAN. Where is your office?
- Mr. MILLER. Washington.
- The CHAIRMAN. How long have you been with the Fleet Corporation?
- Mr. MILLER. Since November 19, 1917, and with the supply and sales division since August 1, 1920.

The CHAIRMAN. You have been with the Shipping Board since November, 1917?

Mr. MILLER. Yes, sir.

The CHAIRMAN. In what capacity did you come to them?

Mr. MILLER. First as engineer, division ship yard plants, and later as assistant manager of construction, in charge of the steel ship, wood ship, and ship yard division, from which I was transferred to the supply and sales division.

The CHAIRMAN. How long have you been in charge of the supply and sales division?

Mr. MILLER. From August 1, 1920.

The CHAIRMAN. What was your business or occupation prior to your coming to the Shipping Board?

Mr. MILLER. Profession of civil engineer.

The CHAIRMAN. Where?

Mr. MILLER. Pittsburgh.

The CHAIRMAN. You have charge of the sales force which is attempting to dispose of the surplus property of the Shipping Board?

Mr. MILLER. I have charge of the sales, except those of uncompleted wood hulls and uncompleted steamers.

The CHAIRMAN. So that includes——

Mr. MILLER (interposing). All surplus property, except uncompleted hulls.

The CHAIRMAN. And uncompleted steamers?

Mr. MILLER. Yes, sir.

The CHAIRMAN. How many men have you in your department?

Mr. MILLER. Slightly over 1,400.

The CHAIRMAN. 1,400?

Mr. MILLER. Yes; the majority of them, however, are laborers and guards. We have what we call a weekly pay roll.

The CHAIRMAN. Yes.

Mr. MILLER. And that is a fluctuating payroll. That is, when we have a movement of material, we take on quite a crowd of laborers, and when the movement is completed they are laid off. They are taken on and laid off from day to day.

The CHAIRMAN. What is the permanent force; how many?

Mr. MILLER. It will average a little over 1,400. When I came into the supply and sales section on August 1, there was slightly over 2,100. I have reduced it approximately 700 persons.

The CHAIRMAN. How many are there here at the home office?

Mr. MILLER. 138.

The CHAIRMAN. Here in Washington?

Mr. MILLER. Yes; including both purchasing and warehouses and sales department.

The CHAIRMAN. Here in Washington?

Mr. MILLER. Yes, sir.

The CHAIRMAN. 138 persons?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Stenographers and clerks?

Mr. MILLER. A large part of that is made up of clerks and stenographers in our records branch.

The CHAIRMAN. Oh, yes.

Mr. MILLER. When I came in and before that, all records had been decentralized to the districts; no records were in the home office at

all. I tried to set up a system here so that our sales, all of them, should be controlled from here.

The CHAIRMAN. Did you get that perfected?

Mr. MILLER. Yes; in fair shape for the northern district and the Atlantic district and the Great Lakes district. The southern district is not yet in good shape.

The CHAIRMAN. Why is that?

Mr. MILLER. The men there did not function properly, and I had to make a change there, and sent down new men from here January 1. They did not give us the information we wanted.

The CHAIRMAN. How long had they been working with the Shipping Board?

Mr. MILLER. The man in charge there came with the Shipping Board early in 1918.

The CHAIRMAN. Have you got a list in Washington here now of all the surplus property which the Shipping Board or the Fleet Corporation have?

Mr. MILLER. The list is not in good shape in the southern district; otherwise it is very fair.

The CHAIRMAN. Now, have you any system, Mr. Miller, whereby the division of operations knows just what you have on hand?

Mr. MILLER. Besides handling the sales and warehousing, I also handle purchases for the Shipping Board.

The CHAIRMAN. Yes.

Mr. MILLER. None of our agents make any sales without first getting in touch with the record head. They clear through the record section, and the record section is responsible if we buy anything which we have on hand.

The CHAIRMAN. You do not have purchasing agents for the operators, do you?

Mr. MILLER. The operators do their own purchasing, under the general supervision of the purchasing department agents.

The CHAIRMAN. Under their general supervision; how long since?

Mr. MILLER. Possibly two months.

The CHAIRMAN. Do you have charge of advertising for proposals to furnish material to the Shipping Board?

Mr. MILLER. Well, we work up the actual advertisement itself, but it is placed by the advertising manager, Mr. Low.

The CHAIRMAN. He is not under your jurisdiction?

Mr. MILLER. No, sir.

The CHAIRMAN. That is under what department?

Mr. MILLER. He reports directly to the chairman.

The CHAIRMAN. The chairman of the board?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Now, do you know whether or not the Shipping Board has asked for proposals for the furnishing of manila rope recently?

Mr. MILLER. Yes, sir; I opened the bids.

The CHAIRMAN. The prices are very high, aren't they?

Mr. MILLER. The prices are very low.

The CHAIRMAN. Low?

Mr. MILLER. The managing owners are paying at the present time an average of 24 to 25 cents a pound. We had a price for furnishing manila rope in New York for 18.75 cents per pound. In the rest of

the ports the price will average 20 cents per pound. That is new rope delivered on the dock, and the average would be 25 cents per hundred pounds for delivery to the ship from the dock.

The CHAIRMAN. And has the Shipping Board none of that on hand?

Mr. MILLER. Yes; we have quite a large quantity of rope at Wilson Point and Hog Island. The majority of that rope has laid there for very nearly two years, and the majority is not in good shape. It had been held for the division of operations. Hemp rope has a habit of decaying at the core, and it can not be depended upon when it decays.

The CHAIRMAN. You advertised for manila; is that the same thing?

Mr. MILLER. Yes, sir. Under the advertisement the vendors of the rope will be the warehouses; we merely call on them for such rope as we need. We are put to no expense in handling.

The CHAIRMAN. How much is that, in round figures, that you expect to get?

Mr. MILLER. That is something I did not have the data to check up, and the managing purchasers were purchasing along that line, and we had no information——

The CHAIRMAN (interposing). How did you know how much to advertise for?

Mr. MILLER. We did not.

The CHAIRMAN. You just advertised for rope; for rates?

Mr. MILLER. Rates, so much per pound, for a certain limited time.

The CHAIRMAN. How long a time did you call for, do you remember?

Mr. MILLER. That was either 60 or 90 days.

The CHAIRMAN. Upon whose judgment are you relying when you state that this rope at Wilson Point and Hog Island is not serviceable and can not be used?

Mr. MILLER. On the judgment of the technical department of the Division of Construction and Repairs, and we also had some tested at the Bureau of Standards.

The CHAIRMAN. Here in Washington?

Mr. MILLER. Yes, sir.

The CHAIRMAN. What was the result?

Mr. MILLER. Some of it was in fair shape and some was not.

The CHAIRMAN. Was any of it in good shape?

Mr. MILLER. Not in first-class shape; no.

The CHAIRMAN. Were any of those bids for rope submitted by the manufacturers, or were they submitted by dealers?

Mr. MILLER. The manufacturers submitted bids for all ports; that is, we had dealers who bid on individual ports only.

The CHAIRMAN. In other cases of purchases which you make you first ascertain whether your inventories show any of that property on hand?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Has your department made purchases of any considerable quantities of material since August 1 for ship operations?

Mr. MILLER. Well, the principal thing we have bought has been lubricating oils, paint, and packing.

The CHAIRMAN. You have none of that on hand?

Mr. MILLER. We have none of that on hand; no, sir.

The CHAIRMAN. What have you to say with reference to the inventories and listing of property in the warehouses?

Mr. MILLER. I have ordered two inventories in practically all warehouses; that is, we have ordered during the month of August inventories, and as fast as the inventories are being completed we are advertising that individual property for sale.

The CHAIRMAN. Have you had any inventories completed?

Mr. MILLER. Yes; we have our inventories on the west coast completed.

The CHAIRMAN. In the warehouses?

Mr. MILLER. Yes; in the three warehouses on the Pacific coast.

The CHAIRMAN. How long does it take to inventory property in a warehouse?

Mr. MILLER. Of course, that would depend on the number of men on the work and the amount of material in the warehouse.

The CHAIRMAN. Yes.

Mr. MILLER. It has been averaging about 60 days on the west coast.

The CHAIRMAN. Have you had any inventory completed on an east coast warehouse as yet?

Mr. MILLER. Yes; Wilson Point and Metuchen.

The CHAIRMAN. They are completed?

Mr. MILLER. Yes; and Hog Island is being mimeographed now.

The CHAIRMAN. How many—

Mr. MILLER (interposing). We have warehouses at Beaumont and New Orleans about which I know personally very little. I have never been at either place. And we have two warehouses at Chicago and one at Erie.

The CHAIRMAN. Erie, Pa.?

Mr. MILLER. Erie, Pa.

The CHAIRMAN. Is there not another warehouse on the Atlantic coast?

Mr. MILLER. On the Atlantic coast—Wilson Point, Hog Island, Metuchen, New Orleans, and Beaumont. We have sold the others.

The CHAIRMAN. Oh, the other warehouses have been sold?

Mr. MILLER. Yes, sir.

The CHAIRMAN. When were they sold?

Mr. MILLER. We had one at Jacksonville, the Bentley yard, which was sold about three weeks ago.

The CHAIRMAN. You heard Mr. Taylor testify with reference to the condition of inventories and lists of property in the various warehouses?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Do you agree that that condition is and has been very unsatisfactory?

Mr. MILLER. Yes. But I do not agree that we are not trying to remedy it. I think we are improving the condition.

The CHAIRMAN. You think that the conditions are being improved, and that you will be able to soon know just the exact situation with reference to property in the warehouses?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Do the division of operations men have any jurisdiction over your warehouses?

Mr. MILLER. No, sir.

The CHAIRMAN. They are under your sole supervision?

Mr. MILLER. Yes, sir.

The CHAIRMAN. How many men have you got who can be called salesmen, or solicitors?

Mr. MILLER. Not exceeding 50.

The CHAIRMAN. Where are they; scattered over the country?

Mr. MILLER. Pardon me?

The CHAIRMAN. Are they scattered over the country?

Mr. MILLER. Yes; all over the country. Do you want a list of the general locations?

The CHAIRMAN. Yes. I did not know whether they were on the two coasts, or whether they were scattered throughout the interior.

Mr. MILLER. They are on both coasts and the Lakes.

The CHAIRMAN. Do they travel about, or have they offices where they stay?

Mr. MILLER. Where the towns are small, they travel around three or four or five towns.

The CHAIRMAN. Have you been able to dispose of this material along well-established shipping lines, like the I. M. M., or the Luckenbach, or the Cunard Anchor?

Mr. MILLER. No, sir.

The CHAIRMAN. Why not; have you attempted to do it?

Mr. MILLER. We have.

The CHAIRMAN. They will not buy?

Mr. MILLER. No, sir.

The CHAIRMAN. Can't you sell to them cheaper than they can buy in the open market?

Mr. MILLER. Yes; but the majority of our material is special, and a type that they are not using at the present time. That seems to be sort of a stock answer.

The CHAIRMAN. Your packing?

Mr. MILLER. We are not selling packing; we are purchasing that.

The CHAIRMAN. Did you not sell packing at one time?

Mr. MILLER. I know of no packing that has been surplus since August 1.

The CHAIRMAN. You did prior to August 1?

Mr. MILLER. I don't know of any.

The CHAIRMAN. Oh, you did not come into the division before August 1?

Mr. MILLER. No, sir.

The CHAIRMAN. How about engine oils; do you know of any of that being sold?

Mr. MILLER. I have never even heard of any of it being surplus.

The CHAIRMAN. Are these pumps and windlasses and steam winches all special type?

Mr. MILLER. Some of them are.

The CHAIRMAN. They, of course, would not be sold, except where ships are being constructed, I suppose?

Mr. MILLER. No, sir.

The CHAIRMAN. There would not be very much use for those in the case of operators?

Mr. MILLER. Well, we have had a few replacements on account of breakages, that is all.

The CHAIRMAN. But you have a large quantity of those on hand, haven't you?

Mr. MILLER. Enormous quantities, yes, sir.

The CHAIRMAN. How many pumps, and I mean steam pumps, would you say you have on hand at the various concentration plants?

Mr. MILLER. Well, I have personally seen at least 500.

The CHAIRMAN. And the number is larger than that, isn't it?

Mr. MILLER. I should say so; yes, sir.

The CHAIRMAN. And there is more than that number of winches?

Mr. MILLER. Yes; we have 700 winches at Hog Island alone.

The CHAIRMAN. And you have 700 more on the Pacific coast, almost—500, probably?

Mr. MILLER. About 400.

The CHAIRMAN. Are they special type, too, Mr. Miller?

Mr. MILLER. There are some few standard, and which we are gradually using up. The majority of them are special.

The CHAIRMAN. Now, how long in your judgment will it be, if you pursue the same policy that is now in vogue, before this surplus property will be disposed of?

Mr. MILLER. Mr. Chairman, I have been trying very hard to find somebody who will buy all our surplus.

The CHAIRMAN. Under a lump-sum arrangement?

Mr. MILLER. If possible.

The CHAIRMAN. Do you agree with Mr. Taylor that that would be of a saving to the Shipping Board; to wipe it out and get rid of it?

Mr. MILLER. Absolutely.

The CHAIRMAN. Do you think that there is any organization in this country that is able to handle a proposition like that?

Mr. MILLER. I hope we can get a combination of organizations together that can handle it. There is work being done along that line now.

The CHAIRMAN. That is under consideration?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Are you familiar with the Bardee contract?

Mr. MILLER. In general.

The CHAIRMAN. Do you know anything particularly about it; did you have anything to do with making it?

Mr. MILLER. No, sir.

The CHAIRMAN. It was made before you came to the Supply and Sales Division?

Mr. MILLER. It was made in January, 1920; I came in in August, 1920.

The CHAIRMAN. Did you have anything to do with the modification of the terms of the contract?

Mr. MILLER. Not the first modification; I did with the second and third.

The CHAIRMAN. What was the reason which prompted the second and third modifications?

Mr. MILLER. To qualify the original and first amendment.

The CHAIRMAN. More particularly for the benefit of the purchaser, or for the benefit of the Shipping Board, or was it mutual?

Mr. MILLER. Mutual.

The CHAIRMAN. Do you think the Shipping Board derived any advantage from the third modification?

Mr. MILLER. That is rather a difficult question to answer. My understanding is it was merely a clarification of the original and two supplements, so that it was merely an explanation of the original meaning.

The CHAIRMAN. Is the contract operating at the present time satisfactorily?

Mr. MILLER. The contract expired January 8 of this year. That is, we can not now certify any more steel to the Bardee Co. We could not after January 8, 1921.

The CHAIRMAN. You mean the contract expired, so far as adding to the material which Bardee was required to take?

Mr. MILLER. Yes, sir.

The CHAIRMAN. But he has not taken all that he agreed to take under the terms of the contract, has he?

Mr. MILLER. No, sir.

The CHAIRMAN. How is that coming along. Is he still taking it and paying for it?

Mr. MILLER. When we certify material to the Bardee Co. they have one year in which to move it.

The CHAIRMAN. One year?

Mr. MILLER. Yes; under the terms of the original contract.

The CHAIRMAN. That was not modified?

Mr. MILLER. No, sir.

The CHAIRMAN. Who takes care of it?

Mr. MILLER. We do.

The CHAIRMAN. For a year?

Mr. MILLER. Yes, sir.

The CHAIRMAN. This property is located at nearly all the larger steel construction plants that had contracts with the Shipping Board, isn't it?

Mr. MILLER. Yes, sir.

The CHAIRMAN. In the lake district and on the Atlantic and Pacific coasts?

Mr. MILLER. I do not believe any steel has been certified to the Bardee Co. on the Pacific coast.

The CHAIRMAN. Is there a separate contract with the Bardee Co. for the Pacific coast material?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Has that been closed?

Mr. MILLER. I believe it has.

The CHAIRMAN. Well, now, Mr. Miller, how long do you expect it will be before the operations under the Bardee contract will be closed up, if they exercise their right to wait a year before taking it?

Mr. MILLER. January 1, 1922; that is, if they wait the full time. We have certified considerable material in the last two weeks of the contract.

The CHAIRMAN. How much of that material was there—that same kind of material was there, or will there be, as nearly as you can estimate, left, assuming that the Bardee Co. takes all its material under its contract by the 1st of June; how much more will there be left; as much as they have taken?

Mr. MILLER. No, sir.

The CHAIRMAN. Less than what they have taken?

Mr. MILLER. Yes. We will have certified close to 130,000 tons. There will not be over 25,000 tons left on our hands of material that would have been applicable under their contract.

The CHAIRMAN. There is a lot of scrap material that was not certified, isn't there?

Mr. MILLER. Yes, sir.

The CHAIRMAN. How much of that will you have on hand?

Mr. MILLER. We have been cleaning it up and selling that as fast we get it.

The CHAIRMAN. The market is rather low for that just now?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Are you selling it just the same?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Are you selling considerable quantities of it?

Mr. MILLER. We do not allow considerable quantities to accumulate. We are cleaning it up to date, and from day to day as we go along.

The CHAIRMAN. Is that sold to purchasers in the localities where it is located, or is it shipped to considerable distances?

Mr. MILLER. No, sir; we do not ship it; we do not ship it at all.

The CHAIRMAN. You do not ship it?

Mr. MILLER. We sell it as is, and where it is.

The CHAIRMAN. As is and where it is?

Mr. MILLER. Yes, sir.

The CHAIRMAN. How long do you give these purchasers to take it?

Mr. MILLER. We do not keep it at all.

The CHAIRMAN. You do not give them a long time to take it?

Mr. MILLER. No, sir; we cannot. Quite frequently we are subjected to rental charges which we want to eliminate.

The CHAIRMAN. Subjected to rental charges?

Mr. MILLER. Yes, sir.

The CHAIRMAN. What do you mean?

Mr. MILLER. We will have ground in a shipyard, and have to pay rental for the ground we occupy.

The CHAIRMAN. Does that apply to the material under the Bardee contract too?

Mr. MILLER. Yes; in some cases.

The CHAIRMAN. So if the Bardee Co. wanted to do so they could impose a rental cost for a year?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Do they take their material quite promptly?

Mr. MILLER. They have been up to date; yes, sir.

Mr. CHAIRMAN. Do you know of any permission having been given the Bardee Co., or its representatives, to inspect the records of your division?

Mr. MILLER. There was a memorandum addressed to all the divisions, signed by the chairman, dated, I think, the latter part of July, or the first part of August, 1920, requesting the heads of all divisions to give the bearer all information on surplus that he desired.

The CHAIRMAN. Who was the bearer? A representative of the Bardee concern?

Mr. MILLER. The man who presented it to me was; yes, sir.

The CHAIRMAN. Did he want to see your books?

Mr. MILLER. He did not ask to see my books; no, sir.

The CHAIRMAN. Well, the books of the Supply and Sales Division, or Purchasing Division?

Mr. MILLER. No; he did not ask anything of the kind. He asked quite a few questions regarding the material which we had, which we were very glad to furnish any prospective purchaser.

The CHAIRMAN. Well, did you demur to that at all?

Mr. MILLER. Well, I took the memorandum to the chairman's office to get an interpretation upon it; yes, sir.

The CHAIRMAN. Did you get your interpretation?

Mr. MILLER. Yes, sir.

The CHAIRMAN. And followed out the spirit of the memorandum?

Mr. MILLER. Yes, sir. I was instructed to use my own judgment as to what should, and what was proper, to give out to prospective customers.

The CHAIRMAN. And did you make any exception in this case?

Mr. MILLER. No exception at all, sir.

The CHAIRMAN. You treated them the same as other prospective purchasers?

Mr. MILLER. The same way.

The CHAIRMAN. Is there a gentleman in your department now by the name of C. O. Yocum?

Mr. MILLER. No, sir.

The CHAIRMAN. Has he been with your department since you have been the head of it?

Mr. MILLER. He was with me for the first 30 days.

The CHAIRMAN. When was that? In August?

Mr. MILLER. Pardon me. He was with me until approximately December 1, 1920, as district director, western district, division of supply and sales.

The CHAIRMAN. Approximately until October 1?

Mr. MILLER. December 1, 1920. No, pardon me again; he was only with me 30 days, or until September 1, 1920.

The CHAIRMAN. In charge on the coast?

Mr. MILLER. In charge on the west coast.

The CHAIRMAN. Do you know how long he had been there?

Mr. MILLER. I do not.

The CHAIRMAN. Did you remove him?

Mr. MILLER. Yes, sir.

The CHAIRMAN. For what reason?

Mr. MILLER. Unsatisfactory work.

The CHAIRMAN. What unsatisfactory work?

Mr. MILLER. Well, we did not have the records; the west coast appeared to be a closed book to our division; we had absolutely nothing at all from him and did not seem to be able to obtain the information we desired, so I put somebody out there who would give me information when I requested it.

The CHAIRMAN. He not only failed to give information, but he refused to, didn't he?

Mr. MILLER. I would not say there was any definite refusal. The information did not come in.

The CHAIRMAN. There were not only one or two, but repeated requests or demands for information which failed to bring it from him, wasn't there? Didn't you ask him two or three times for the same information?

Mr. MILLER. We have asked numerous times for the same information without obtaining it; yes, sir.

The CHAIRMAN. Now, do you know about the Sullivan boiler sale; or the Burner boiler sale?

Mr. MILLER. I remember a sale that was made to a Mr. Parks, and Sullivan bid on those boilers. I imagine that is the case you have in mind.

The CHAIRMAN. Yes. What do you know about that sale? Was that made in the usual way, and the terms complied with, and the money paid?

Mr. MILLER. We circularized those boilers; that is, we sent out circulars to 40 or 50 people whom we knew would be interested in that commodity and asked them to submit bids. We only received two, one from Sullivan and one from Parks. We were ready to make a recommendation to the highest bidder when the other one said he would give more money, so we reopened it again. My recollection is we reopened it twice before they were both satisfied and gave their highest bid. It was awarded to the highest bidder, Parks.

The CHAIRMAN. Do you remember the sale of ships and machinery to the National Oil Co., Mr. Daugherty; was that handled under your jurisdiction; was that one of the sales made by Mr. Yoakum?

Mr. MILLER. That was not made since August 1st, as I remember. I am not familiar with the sale at all, sir.

The CHAIRMAN. It was made before you came to the supply and sales division?

Mr. MILLER. Yes, sir.

The CHAIRMAN. How about the Rogers hull contract; did you make that?

Mr. MILLER. No, sir.

The CHAIRMAN. Are you familiar with it?

Mr. MILLER. I know the general provisions only.

The CHAIRMAN. Did you have any jurisdiction or work on that contract?

Mr. MILLER. I never had anything to do with the contract itself; no, sir.

The CHAIRMAN. At one time did not the Bardee Company operate as a sales agent for the board, or corporation, on the Pacific coast?

Mr. MILLER. No, sir.

The CHAIRMAN. It never did?

Mr. MILLER. No, sir.

The CHAIRMAN. Was it contemplated asking them to do that?

Mr. MILLER. No, sir.

The CHAIRMAN. Do you know anything about the Greenburg scrap or junk contract?

Mr. MILLER. "There was some scrap at Hog Island which Greenburg bid on and did not get. I do not remember the controversy. I was on the West coast from September 3 to October 19. My recollection is that that came up within that period.

The CHAIRMAN. Was Mr. Kline acting in any capacity in connection with that sale?

Mr. MILLER. Mr. Kline at that time was eastern director of the division of supply and sales, eastern district, at Philadelphia.

The CHAIRMAN. Who was Mr. Weaver; was he connected with the supply and sales?

Mr. MILLER. No, sir.

The CHAIRMAN. Was he connected with Bardee?

Mr. MILLER. I understand he was secretary of the Bardee Company.

The CHAIRMAN. He was formerly with the Shipping Board?

Mr. MILLER. Yes, sir.

The CHAIRMAN. With the supply division?

Mr. MILLER. No, sir; with the construction claims board.

The CHAIRMAN. Were you in charge of the supply and sales division when Mr. Kline was up there at Philadelphia?

Mr. MILLER. Yes; I took charge while he was there.

The CHAIRMAN. Was he removed?

Mr. MILLER. While I was on the West Coast he was shifted to Hog Island in charge of Hog Island.

The CHAIRMAN. Out of your jurisdiction?

Mr. MILLER. No, sir; within my jurisdiction. He was transferred there as special representative, in charge of the yard.

The CHAIRMAN. Still under your supervision and direction?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Is he still there?

Mr. MILLER. No, sir; he is now the personal representative of the president of the Emergency Fleet Corporation.

The CHAIRMAN. Who is that?

Mr. MILLER. Chairman Benson.

The CHAIRMAN. Oh, yes. He is president of the Emergency Fleet Corporation and chairman of the Shipping Board; is that the title?

Mr. MILLER. Yes, sir.

The CHAIRMAN. What is he doing, do you know?

Mr. MILLER. I do not.

The CHAIRMAN. He is not in your department?

Mr. MILLER. Not in my department at all.

The CHAIRMAN. Now, have there been men in your department who have left the employ of the Fleet Corporation or the Shipping Board and accepted employment with firms, like the Bardee, or the Southern Scrap Material, or other concerns, for the purpose of purchasing material?

Mr. MILLER. Well, there is no doubt that some of that has occurred. I do not know of anybody that has gone to the Bardee Co. When I came in on August 1, Mr. Rocap was district director at New Orleans. His resignation, however, was already in before I took charge, and I understand he went with Ness. That is the only case that I personally know of.

The CHAIRMAN. Well, that is the natural thing for men to do, isn't it—men who have been connected with the Emergency Fleet Corporation, or the Shipping Board, who receive offers to go with either shipping operators or ship concerns, or men dealing in ship material—surplus material?

Mr. MILLER. Well, they may have received offers; I have never received any.

The CHAIRMAN. You know of men having left the Shipping Board and going with steamship lines or ship operators?

Mr. MILLER. No; I do not, Mr. Chairman. I am not familiar with that end of it, the operations end.

The CHAIRMAN. What I am getting at is this: Do you consider it anything improper, for instance, if you should get an offer to go to work for the Cramp Shipyards at an advance in salary over what you are getting now, would you consider it anything improper in your accepting that employment?

Mr. MILLER. I would try to find other employment.

The CHAIRMAN. You think that if a man has been working for the Shipping Board and has been handling matters involving dealings between the Shipping Board and certain other concerns, that perhaps it might be questionable for a man in the Shipping Board who had to do with the handling of these matters to later accept employment with a concern who had these dealings?

Mr. MILLER. Well, that would be largely a personal equation, of course. It all depends on how the individual feels about it. Certainly, if they were discharged from the fleet employment, I do not see why they should not go where they pleased, if they have to earn a livelihood, certainly.

The CHAIRMAN. Well, in some branches of this work men must have gained a knowledge and experience that would be of advantage to private concerns, would they not; ship operators and ship companies, and construction companies?

Mr. MILLER. There is no doubt they did gain knowledge that would help companies having business with the fleet.

The CHAIRMAN. And that might apply, perhaps, to some of the attorneys who came with the Shipping Board; they might get an experience and knowledge in the handling of contracts that would make them valuable men in law firms handling the business of great construction companies?

Mr. MILLER. I should think so.

The CHAIRMAN. Did you have anything to do with the sale of the National Plant at Savannah?

Mr. MILLER. Yes, sir.

The CHAIRMAN. What was there about that sale which resulted in selling that plant complete for some \$39,000 or \$40,000, when it cost nearly a half million?

Mr. MILLER. Well, we had to get out of the yard, of course. We were on leased property; we did not own the ground itself, and that was the highest offer we could get for it.

The CHAIRMAN. Was it generally advertised?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Did you try to sell the material apart from the plant, or did you just try to sell the whole business?

Mr. MILLER. We tried to lump the whole thing and get rid of the whole thing at one time.

The CHAIRMAN. How long did the lease have to run?

Mr. MILLER. I do not remember the terms of the lease.

The CHAIRMAN. Do you remember what the rental price was?

Mr. MILLER. My recollection is \$20,000 a year. Mr. Richardson here could answer that.

The CHAIRMAN. That it was appraised at \$88,000, was it?

Mr. MILLER. Appraised at \$88,000, yes, sir.

The CHAIRMAN. And who bought it?

Mr. MILLER. It was bought by Harris Bros. Co.

The CHAIRMAN. That is quite a large sales organization?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Did some of the former employees of the Fleet Corporation go into the employ of that concern?

Mr. MILLER. Not that I know of.

The CHAIRMAN. Well, did you get cash for that?

Mr. MILLER. Yes; cash.

The CHAIRMAN. And there is nothing in connection with that remaining to be adjusted—that National Shipyard?

Mr. MILLER. Nothing at all.

The CHAIRMAN. So there is an instance where you sold the plant and material for a lump sum, but at a tremendous sacrifice, but further retention of it would not only have added to the expense, but would have increased the depreciation?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Do you think that if you had kept that for a few months longer that you would have got a better price, in view of what has happened in the market for the sale of that material?

Mr. MILLER. We would be taking a gamble, and I do not believe the Government should gamble in commodities of that kind. What I have been trying to do was to let somebody else take the chances on it.

The CHAIRMAN. The purchaser?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Did you get any offers from anybody else?

Mr. MILLER. I had considerable negotiation regarding the sale, but that was the only offer we had. We did have an offer from J. W. Ridolph, of Savannah, dated January 16, 1920; and he offered \$70,000, to be paid for as the materials were shipped. Since this was so indefinite we interviewed Mr. Ridolph to ascertain what his terms were. It was learned from him that he had no financial backing; that he could make no cash offer; that he wanted the goods shipped to him, and that he would pay for them as he sold them. This would have amounted to his being appointed agent for the Board, which, of course, we could not do.

The CHAIRMAN. That was a case where the gamble would be transferred to the Government?

Mr. MILLER. Yes, and the profit to the agent.

The CHAIRMAN. What?

Mr. MILLER. And the profit, if any, to the agent.

The CHAIRMAN. Now, do you know of instances where the materials have been taken out of warehouses without proper records being kept?

Mr. MILLER. There is no doubt that that was done, because we found that the records were not in good shape.

The CHAIRMAN. Who was responsible for those records prior to your coming here?

Mr. MILLER. Mr. Lee Allen was acting manager of the division of supply and sales before I took charge.

The CHAIRMAN. Whom did he succeed?

Mr. MILLER. Mr. Weir.

The CHAIRMAN. And whom did he succeed?

Mr. MILLER. Mr. Rollason.

The CHAIRMAN. He was the first man in charge?

Mr. MILLER. Mr. Rollason was the first man in charge of the consolidated division.

The CHAIRMAN. Now, did you receive—or were the records transmitted to you when you took charge; did you receive the records of the property in the warehouses?

Mr. MILLER. Approximately January 1, 1920, the then manager of the Division of Supply and Sales decentralized the records to the

districts, so there were no records for me to take charge of in the home office. I had to build up my own.

The CHAIRMAN. Now, how did you do that; by calling in the records from the districts?

Mr. MILLER. By calling in the records from the districts and where they were not correct, by taking a new inventory of the projects.

The CHAIRMAN. Do you know of any instances where office equipment, such as typewriters, filing devices, and desks have been sold in any district—the Southern District, I think it has been testified to—and later similar supplies having been bought in the open market?

Mr. MILLER. I do not know from personal knowledge that that has been done.

The CHAIRMAN. Have you received any reports to that effect?

Mr. MILLER. No, sir.

The CHAIRMAN. Have you seen any reports or records to that effect?

Mr. MILLER. I have not seen any reports or records of anything of the kind; no, sir.

The CHAIRMAN. Well, in view of the lack of records or the complete records with respect to warehouses, would you say that that might have occurred?

Mr. MILLER. That would all depend on the district director in charge of each district. They were supposed to function practically independently.

The CHAIRMAN. But this, I think it had been testified to, did occur in the southern district, and as I understood you to say, when you came in you found the Southern District—it was not in as good condition from an accounting and record standpoint as the other districts?

Mr. MILLER. That is true. It is still in bad condition.

The CHAIRMAN. Still in bad condition?

Mr. MILLER. Yes, sir.

The CHAIRMAN. In view of that, would you say this might have occurred in the southern district?

Mr. MILLER. It might have occurred.

The CHAIRMAN. And due to a lack of proper check on the records?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Now, was this Mr. Rocap the man in charge down there?

Mr. MILLER. Mr. Rocap was district director until September 1, 1920.

The CHAIRMAN. Was he the man you removed?

Mr. MILLER. I did not remove him. His resignation was in when I took charge. Mr. Dillingham succeeded him, and Mr. Dillingham was removed, effective last Thursday.

The CHAIRMAN. Who succeeded him?

Mr. MILLER. Mr. A. C. Roberts.

The CHAIRMAN. Who is he?

Mr. MILLER. He is a new man down there; he was in the home office in charge of sales, and afterwards he was at Hog Island. He is a man familiar with what went on up there.

The CHAIRMAN. Was Mr. Carter in charge down there?

Mr. MILLER. Mr. Carter was in charge previous to Mr. Rocap. I know nothing of Mr. Carter.

The CHAIRMAN. Do you think that the Fleet Corporation or the Supply and Sales Division is taking the necessary steps to insure the best possible bids for material which it is seeking to dispose of?

Mr. MILLER. Our sales methods may be at the present time—may I enlarge on the general subject?

The CHAIRMAN. Yes; if you will, just give us the procedure.

Mr. MILLER. I found when I came in, they were making hundreds and thousands of small sales. Each sale naturally costing a lot of money, recording, and passing through so many channels. So we tried to avoid that and sell by districts, if possible. If we could get a customer sufficiently big we would sell him a district, or the entire country. If we can not do that we try to sell him a warehouse, and if we can not sell him the warehouse, we sell by groups; that is, all electrical supplies, or plumbing supplies in there. We get a list of the supplies and circulate it among the men in the business and get bids and open them on a certain day.

The CHAIRMAN. You think that is more advantageous to the Shipping Board than the plan that was in operation when you came?

Mr. MILLER. Very much more than the retail sales. We have been able to cut over a million and a quarter from our overhead, due largely to the change in sales policy.

The CHAIRMAN. If a gentleman should come to your office tomorrow morning, Mr. Miller, with the ability to satisfy you as to his financial strength to carry out the proposition and made you an offer for all the surplus material that you have on hand, taken over in one lump, and you took a sufficiently reasonable length of time to satisfy yourself that the man could carry out the contract and that the price was of advantage to the Shipping Board, and you closed the deal, how much of a reduction could you make in your forces; in your organization, and how soon could you make it?

Mr. MILLER. If we could make a lump sum sale of all surplus materials which we now have, and which we are going to get—that is your idea?

The CHAIRMAN. Yes.

Mr. MILLER. We could eliminate the warehouse sales and leave only the purchasing, and leave our personnel at about 1,200.

The CHAIRMAN. Cut it down 200 people?

Mr. MILLER. Two hundred people who are doing purchasing in this country and abroad, and at the foreign fuel stations.

The CHAIRMAN. Are the foreign fuel stations under your jurisdiction?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Did this 1,400 include those abroad?

Mr. MILLER. Yes; we have agents in practically every country on the globe.

The CHAIRMAN. You have, you say, how many in Washington?

Mr. MILLER. One hundred and thirty-eight.

The CHAIRMAN. Would you mean to say that you could get along with 62 people outside of Washington, or would you make a reduction of the Washington forces?

Mr. MILLER. Well, in our purchasing department in Washington we have only about 15 people; everybody else would go, except that 15.

The CHAIRMAN. Now, with reference to your purchasing abroad; do those people abroad have the authority to make sales without cable, or confirmation from the home office?

Mr. MILLER. We have no surplus abroad, so there is no surplus to sell.

The CHAIRMAN. I mean purchases, excuse me; have they authority to make purchases abroad?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Without the transaction being confirmed?

Mr. MILLER. Yes, sir.

The CHAIRMAN. What do they have to guide them as to what is a proper price to pay?

Mr. MILLER. They have the local conditions there, the local markets to guide them. They only buy what is absolutely necessary for ships in foreign ports.

The CHAIRMAN. Is Mr. Bowen under your supervision?

Mr. MILLER. No, sir.

The CHAIRMAN. What division is he in?

Mr. MILLER. Mr. Bowen is special assistant to the head of the Emergency Fleet Corporation, and is in charge of fuel oil, and I understand buys fuel oil to keep our tankers supplied.

The CHAIRMAN. Does he not buy coal too?

Mr. MILLER. He has bought coal. We have no blanket contracts for coal.

The CHAIRMAN. And is he not the only one who buys coal?

Mr. MILLER. Where coal is bought, yes, sir.

The CHAIRMAN. He advertised for coal sometime ago, did he?

Mr. MILLER. I did not see that advertisement.

The CHAIRMAN. Did you advertise for coal?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Did you buy coal?

Mr. MILLER. No, sir.

The CHAIRMAN. Do you know anything about the purchase of fuel for next year, or is that under Mr. Bowen?

Mr. MILLER. Mr. Bowen has that whole matter.

The CHAIRMAN. What was the reason that prompted you to remove Mr. Dillingham from the southern district, or recommend his retirement?

Mr. MILLER. Merely because we can not get any records from our southern district, and there is general dissatisfaction among the purchasers of our material who have done business in that district.

The CHAIRMAN. What is that dissatisfaction based upon; what reasons do they give for being dissatisfied?

Mr. MILLER. Well, the reasons are very general.

The CHAIRMAN. General?

Mr. MILLER. Yes; very general in character.

The CHAIRMAN. Well, for instance, can you cite something; can you give us any idea what the situation is down there, and why it is necessary to remove a man, and what it is that needs remedying?

Mr. MILLER. The first thing we have to find out is what material we have in the southern district. We have no record here at all. The district director at New Orleans is unable to make intelligent sales, because he has no records. A customer will come into the yard and actually see the material he desires, and then go into the office, and he can not buy it, because there is no record of it. We have to remedy those conditions.

The CHAIRMAN. Do you know whether records were made?

Mr. MILLER. I know inventories were made at Beaumont and New Orleans, but not kept up to date. New inventories will have to be made.

The CHAIRMAN. And that will take some time?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Then if you had this lump sum offer which I used for a question a few moments ago, before you could accept such a proposition as that you would have to know what was in the southern yards, wouldn't you?

Mr. MILLER. We would have to know in a general way, at least. We would not have to know to the last dollar what was down there, I do not think.

The CHAIRMAN. Have you got sufficient information now so that you can say in a general way what is down there?

Mr. MILLER. No sir; we would need at least 30 days.

The CHAIRMAN. You would need some time before a special inventory and reappraisal of that property could be made in the southern district?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Are you about to do that?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Is it under way yet?

Mr. MILLER. Yes; Mr. Roberts has instructions to make a new inventory where necessary and bring the records up in A-1 shape, and send them to Washington. We are not making enough sales at New Orleans to warrant keeping men there.

The CHAIRMAN. How many men have you there?

Mr. MILLER. A total of 68, scattered throughout the district.

The CHAIRMAN. With headquarters at New Orleans?

Mr. MILLER. Headquarters at New Orleans.

The CHAIRMAN. Is that including—

Mr. MILLER (interposing). That does not include the weekly pay roll; that includes all men from Florida to the Gulf.

The CHAIRMAN. You say that does not include the weekly pay roll?

Mr. MILLER. No, sir.

The CHAIRMAN. How many more men would that include?

Mr. MILLER. That figure fluctuates very rapidly, especially down there. Something over 100.

The CHAIRMAN. I did not get the answer.

Mr. MILLER. That figure fluctuates very rapidly. Something over a hundred.

The CHAIRMAN. Something over a hundred for the district?

Mr. MILLER. Yes; that would include the guards and labor and all.

The CHAIRMAN. Now, what are you charging off for depreciation; do you make a charge off each month, or do you not do that?

Mr. MILLER. We are paying no attention at all to depreciation.

The CHAIRMAN. Paying no attention to it all?

Mr. MILLER. No, sir.

The CHAIRMAN. Isn't it necessary to take that into consideration?

Mr. MILLER. It may be for the finance division, to keep it on the books, but we keep no books. That is a finance function.

The CHAIRMAN. That is all, I believe. Any questions, Mr. Steele?

Mr. STEELE. One or two. Mr. Miller, I understood you to say that there was a second Bardee contract?

Mr. MILLER. No, sir.

Mr. STEELE. Only one Bardee contract?

Mr. MILLER. Only one that I know of; yes, sir.

Mr. STEELE. When was it made?

Mr. MILLER. In January, 1920.

Mr. STEELE. Was there not a Bardee contract made during the fall?

Mr. MILLER. No, sir.

Mr. STEELE. Covering the Pacific coast?

Mr. MILLER. No, sir.

Mr. STEELE. Does the one you have in mind cover the Pacific coast?

Mr. MILLER. No; the contract of January, 1920, covered the sale of surplus steel, and steel only, east and west coasts.

Mr. STEELE. That is all? I was under the impression that it was announced during the fall that a second Bardee contract was made.

Mr. MILLER. I negotiated a sale with the Bardee Company of the steel, of all surplus, on the west coast, and it was approved by the chairman, but the sale was called off.

Mr. STEELE. It was called off?

Mr. MILLER. Yes, sir.

Mr. STEELE. Could you tell us what percentage of expense is connected with the sale of this material?

Mr. MILLER. The percentage of expense for sale only?

Mr. STEELE. Yes.

Mr. MILLER. You mean to include warehousing?

Mr. STEELE. I do; yes.

Mr. MILLER. Inventory and appraisal?

Mr. STEELE. Yes; that is connected with the property itself.

Mr. MILLER. Yes, and leases; it would approximate \$3,000,000 a year.

Mr. STEELE. Leases?

Mr. MILLER. Yes; leases on warehouses where we do not own the property. That is for both east and west coasts, of course.

Mr. STEELE. You say the expense would be about \$3,000,000 a year?

Mr. MILLER. That is the entire expense of holding the surplus material and selling some, inventorying some, and warehousing, and includes the upkeep and guarding on uncompleted hulls.

The CHAIRMAN. And the amount of property on hand is estimated to be of what value?

Mr. MILLER. Mr. Taylor gave \$86,000,000 the total amount certified. I do not believe that that covers a large part of the material at Hog Island, nor the plant and property at Hog Island, nor the plant and property at Martins. I think Mr. Taylor spoke of certifications that cleared through his division.

Mr. STEELE. In your estimate of expenses do you include Hog Island?

Mr. MILLER. In the \$3,000,000?

Mr. STEELE. Yes.

Mr. MILLER. I did not include the guarding of the plant and property at Hog Island; no, sir. That has not yet been turned over to me.

Mr. STEELE. If this property were all disposed of in a lump sum, as suggested, then it would be a saving of \$3,000,000 per annum?

Mr. MILLER. Yes, for our own division. I do not know what the finance division has. Theirs is very heavy, too.

Mr. STEELE. That would add materially to the \$3,000,000?

Mr. MILLER. Yes, sir.

Mr. STEELE. That is all, Mr. Chairman.

The CHAIRMAN. Have you anything, Mr. Connally?

Mr. CONNALLY. The chairman asked you a moment ago about depreciation and a book account of depreciation. I will ask you if that would not involve a great deal of useless bookkeeping, because you are only chargeable with the articles themselves, and whenever you sell it and give yourself credit for it it clears your books, doesn't it?

Mr. MILLER. Yes, sir.

Mr. CONNALLY. And there is no way of determining the real value of that article, except what you can get for it.

Mr. MILLER. Well, there are three things: We have the cost, and the appraisal figure, and the price, of course.

Mr. CONNALLY. These foreign fuel stations that you maintain, have you a regular employee in charge of them or is it some foreigner that merely represents you as agent?

Mr. MILLER. In one or two cases we have American consuls at those points representing us. In some few cases we have the superintendent of the oil company representing us.

Mr. CONNALLY. The superintendent?

Mr. MILLER. Yes; the American superintendent for the American Oil Co., and he would represent us; and in other cases we have our own employees.

Mr. CONNALLY. At those places where you have your own employees do you have to rent property to maintain this station?

Mr. MILLER. What we usually do is to rent storage space only in tanks already built.

Mr. CONNALLY. Now, you supply those stations principally from your own oil tankers?

Mr. MILLER. Yes, sir.

Mr. CONNALLY. And the resident agent only buys such emergency stuff as would be required; is that right?

Mr. MILLER. He would not buy any oil; he would merely sell it.

Mr. CONNALLY. You speak of the overhead in your department; does that include the salaries of these 1,400 employees?

Mr. MILLER. That includes everything.

Mr. CONNALLY. Since you went in on the 1st of August, what has been the total of sales in your department?

Mr. MILLER. Slightly in excess of \$12,000,000.

Mr. CONNALLY. Is it a fair average of what you expect it to be in the next year?

Mr. MILLER. We have slumped off very badly since December 1. Before that we had increased sales over the previous period. Since December 1 business conditions are so poor that it is very difficult to sell anything.

Mr. CONNALLY. How long do you estimate it will require, with your present organization and methods, to dispose of all this surplus material?

Mr. MILLER. Our methods are wide open. That is, if we find a customer for all of it to-morrow we can dispose of it in 30 or 60 days.

Mr. CONNALLY. What is your idea about that?

Mr. MILLER. I think we can find the customer.

Mr. CONNALLY. Within the year?

Mr. MILLER. In three months.

Mr. CONNALLY. For all of it?

Mr. MILLER. Yes, sir.

Mr. CONNALLY. Would that not be the proper course for the Government to pursue?

Mr. MILLER. Yes, sir.

Mr. CONNALLY. And cut off 1,200 employees?

Mr. MILLER. Absolutely.

The CHAIRMAN. There is a question I should have asked you before. How about the houses built in the vicinity of shipyards; do they come under your supervision?

Mr. MILLER. No, sir; we have a housing and transportation division for handling their own housing problems.

The CHAIRMAN. Do you know how much that probably involves?

Mr. MILLER. No, sir; I don't know.

The CHAIRMAN. It is considerable?

Mr. MILLER. Yes; I think it is.

The CHAIRMAN. They built a whole village at Clyde on the Pacific coast?

Mr. MILLER. Yes; they built a housing project there.

The CHAIRMAN. Including a hotel?

Mr. MILLER. Yes, sir.

The CHAIRMAN. And at Vancouver?

Mr. MILLER. Yes, sir.

The CHAIRMAN. And Hog Island?

Mr. MILLER. Yes, sir.

The CHAIRMAN. That has been sold?

Mr. MILLER. I do not know whether all of it has; I think a majority of it has.

The CHAIRMAN. Is there a housing project at Fore River?

Mr. MILLER. I could not tell you.

The CHAIRMAN. I think that is under the housing corporation. I think that is all.

The committee will adjourn, subject to the call of the Chairman.

(Thereupon, at 4 o'clock and 40 minutes, p. m., the committee adjourned to meet at the call of the chairman.)

SHIPPING BOARD OPERATIONS

HEARINGS

U. S. SHIPPING BOARD

BEFORE

SELECT COMMITTEE ON U. S. SHIPPING BOARD OPERATIONS

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS

THIRD SESSION

TESTIMONY OF

MR. JAMES L. LAFFERTY

MR. JOHN J. PIGOT

CAPT. OSCAR W. PARKER (resumed)

MR. EDWARD C. BURKE

MR. MYRON C. BAKER

MR. JAY C. WILLCOX

PART 10



WASHINGTON
GOVERNMENT PRINTING OFFICE
1921

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SELECT COMMITTEE ON UNITED STATES SHIPPING BOARD
OPERATIONS.

HOUSE OF REPRESENTATIVES.

SIXTY-SIXTH CONGRESS, THIRD SESSION.

JOSEPH WALSH, Massachusetts, *Chairman*.

PATRICK H. KELLEY, Michigan.

HENRY J. STEELE, Pennsylvania.

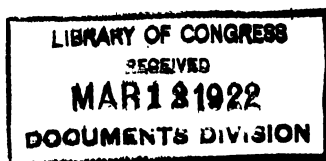
LINDLEY H. HADLEY, Washington.

TOM CONNALLY, Texas.

ISRAEL M. FOSTER, Ohio.

GEORGE H. NORTON, *Clerk*.

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SHIPPING BOARD OPERATIONS.

SELECT COMMITTEE OF UNITED STATES
SHIPPING BOARD OPERATIONS,
HOUSE OF REPRESENTATIVES,
New York, January 17, 1921.

The committee met in Exhibit Room No. 6, Hotel Pennsylvania, New York City, at 10.30 o'clock a. m., pursuant to the call of the chairman, Hon. Joseph Walsh (chairman) presiding.

Present also: Messrs. Foster, Steele, and Connolly, members of the committee.

The CHAIRMAN. The committee will please come to order. Is Mr. Lafferty here?

Mr. LAFFERTY. Yes, sir.

The CHAIRMAN. You will please come forward and be sworn.

TESTIMONY OF MR. JAMES L. LAFFERTY, OF THE REPAIR COST AUDIT BUREAU, UNITED STATES SHIPPING BOARD, NEW YORK.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. What is your name?

Mr. LAFFERTY. James L. Lafferty.

The CHAIRMAN. Do you hold some position with the Emergency Fleet Corporation or United States Shipping Board?

Mr. LAFFERTY. With the United States Shipping Board, Repair Cost Audit Bureau.

The CHAIRMAN. How long have you been with the Shipping Board?

Mr. LAFFERTY. Approximately two years.

The CHAIRMAN. When did you first come with them?

Mr. LAFFERTY. If I recollect aright, it was February two years ago.

The CHAIRMAN. February, 1919?

Mr. LAFFERTY. I do not know the exact date, but it will be two years this coming February.

The CHAIRMAN. How old are you?

Mr. LAFFERTY. 26.

The CHAIRMAN. What is your salary?

Mr. LAFFERTY. \$2,400.

The CHAIRMAN. What was your business before you came with the United States Shipping Board?

Mr. LAFFERTY. An accountant. I was assistant office manager at the Edison Phonograph Works, West Orange, N. J.

The CHAIRMAN. What is your jurisdiction as field auditor; just what do you have to do?

Mr. LAFFERTY. To check and certify and approve for payment the commercial basis repair bills.

The CHAIRMAN. Do you have to go into the yards?

Mr. LAFFERTY. Well, I am stationed at the yard permanently, at Crane's.

The CHAIRMAN. How long have you been at the Crane yards?

Mr. LAFFERTY. Eighteen months, approximately.

The CHAIRMAN. Do they do work on Shipping Board vessels there?

Mr. LAFFERTY. Yes, sir; that is 90 per cent of their work.

The CHAIRMAN. By whom are the vessels sent there, do you know?

Mr. LAFFERTY. They are sent there by the Bureau of Survey, up to the present time.

The CHAIRMAN. The American Bureau of Survey?

Mr. LAFFERTY. Yes, sir.

The CHAIRMAN. What happens before you know that a vessel is there and it comes under your observation or jurisdiction?

Mr. LAFFERTY. Well, what happens before that it would be hard for me to say, but from the general outline of it I would say that a vessel is put in a yard, and if they are given the job on a commercial-basis the port engineer of the operating company oversees the repairs and makes out a requisition, and so forth, and it is approved by the Bureau of Survey.

The CHAIRMAN. The port engineer of the operating company?

Mr. LAFFERTY. Yes, sir.

The CHAIRMAN. He makes out a requisition for what he deems is necessary in the way of repairs?

Mr. LAFFERTY. Yes, sir.

The CHAIRMAN. And that requisition is approved by whom?

Mr. LAFFERTY. The Bureau of Survey.

The CHAIRMAN. The American Bureau of Survey?

Mr. LAFFERTY. Yes, sir. Sometimes there are additions, and at other times there are some cuts from the requisitions.

The CHAIRMAN. The American Bureau of Survey acts as the agent of the Shipping Board, does it?

Mr. LAFFERTY. In the same capacity as an agent; yes, sir.

The CHAIRMAN. Under a contract?

Mr. LAFFERTY. Under a contract.

The CHAIRMAN. Then, what becomes of the requisition?

Mr. LAFFERTY. A certified copy is given to different parties, but as far as my interest in it is concerned, our checking department, which is invariably under my supervision, receives a copy from our New York office, and of course that copy is turned over to the checkers on board vessels, and the contractor receives a copy. Of course, as to the number of copies that are made out by the Bureau of Survey I could not certify to. But as far as we are concerned the contractor gets one, and the copy that I get is the contractor's copy that is used by the checker. As a matter of fact, the way it has been going neither one of us gets a copy until after the repairs are practically finished.

The CHAIRMAN. So that under the practice which has prevailed heretofore the checkers may not receive a copy of a requisition until after the work is done.

Mr. LAFFERTY. There are more cases that way than there are the other way.

The CHAIRMAN. Is it as easy to ascertain whether the material prescribed and the class of workmanship called for has been actually furnished and performed where you attempt to check it up afterwards as it is to follow it along and check it as it is done?

Mr. LAFFERTY. Positively not.

The CHAIRMAN. Has there been any change in that arrangement made recently?

Mr. LAFFERTY. In the way of betterment in the Bureau of Survey, do you mean?

The CHAIRMAN. Yes.

Mr. LAFFERTY. Well, up to, I would say, December 1—in fact, from December 1 to this date—we have had very little commercial rate work at that yard. It has shifted more or less to Staten Island. But up to that time the condition was just as I explained; we would receive a requisition at the completion of the job or at least when it was three-quarters through.

The CHAIRMAN. Now, Mr. Lafferty, are you familiar with the time and material contracts which they have been making for repair work?

Mr. LAFFERTY. Yes, sir.

The CHAIRMAN. What have you to say as to whether they are to the advantage of the Shipping Board or the Emergency Fleet Corporation as compared with commercial rates prevailing?

Mr. LAFFERTY. Well, I did not catch the first part of your question, Mr. Chairman. I think you asked in the first part of your question as to the commercial rates?

The CHAIRMAN. I asked you if you were familiar with the time and material contracts under which the Shipping Board—

Mr. LAFFERTY (interposing). Well, the time and material work is at the commercial rate.

The CHAIRMAN. It is done at the commercial rates?

Mr. LAFFERTY. Yes, sir.

The CHAIRMAN. So that if they send a vessel to a repair yard under the time and material arrangement, that is the commercial rate basis?

Mr. LAFFERTY. That is at the commercial rates; yes, sir.

The CHAIRMAN. Are there any repairs being made under cost plus contracts in this district?

Mr. LAFFERTY. No, sir.

The CHAIRMAN. Have they got any particular form of contract for repair work up here?

Mr. LAFFERTY. Yes; there is the M. O. 3 agreement, as it is called, covering vessels.

The CHAIRMAN. Is that still in effect?

Mr. LAFFERTY. I believe that is superseded by the form M. O. 4, but copies have not been issued as yet. As a matter of fact, I have not received any, and I do not know whether there are any out or not.

The CHAIRMAN. What have you to say as to the prices the Shipping Board has been paying here for repair work?

Mr. LAFFERTY. Well, with respect to the yard I am stationed at, while certain rates are exorbitant in my estimation, it is a matter past my jurisdiction, and for the simple reason that there has been

a ruling laid down by the New York office of the Shipping Board for this repair yard, as well as for others in the port of New York, to file a set of rates on labor, machine tools, and material at least once a month, preferably on the first of each month.

The CHAIRMAN. Do they do that?

Mr. LAFFERTY. They have adhered to that right up to date.

The CHAIRMAN. Do they file them with you?

Mr. LAFFERTY. I receive a copy, and four or five copies are filed in the office. I have to be governed by those rates that are on file, but I also have to see that they are according to the commercial practice on work other than for the Shipping Board, don't you see.

The CHAIRMAN. Yes. Go ahead.

Mr. LAFFERTY. I have to verify that our charges are no higher than what they are charging an independent operator outside of the Shipping Board.

The CHAIRMAN. What do you find with reference to those charges?

Mr. LAFFERTY. Candidly I find our rates as contrasted with work they do for independent concerns are better, that the Shipping Board gets a better break. In other words, that may be because checkers and auditors are there to check up for our work, and they have a moral effect on it, don't you see. As a matter of fact, an independent operator, who has no check, is in a position where they can put in anything whatsoever on a bill, and whatever percentage they care to add they can come pretty nearly getting away with, for the reason that it is passed upon as a lump sum by the independent companies—they look at the total repair bill. You see, they have no real check. I say candidly that our prices on material and labor and tools are less than they charge independent operators.

The CHAIRMAN. How long has that prevailed?

Mr. LAFFERTY. Ever since the commercial rate system started, a year ago last May.

The CHAIRMAN. So you say on repair work done on Shipping Board ships in this locality—

Mr. LAFFERTY (interposing). I am not speaking of anything outside of the Crane shipyard.

The CHAIRMAN. In the Crane yard, then?

Mr. LAFFERTY. Yes; and that is 90 per cent of their work. The Shipping Board work is 90 per cent of the total work of the Crane yard. They had a very small percentage of outside work, so that you can not get a good line on that end of it.

The CHAIRMAN. You say so far as the Crane yard is concerned what?

Mr. LAFFERTY. In no instance is it higher to us, and usually lower than they charge an independent man.

The CHAIRMAN. Have you come across any instance of the padding of pay rolls over at that yard?

Mr. LAFFERTY. Occasionally. I should say that in the course of 18 months I have caught two cases. I have a copy of one of them here, if you would like to look at it. It is the case of the steamer *Gray Cloud*.

The CHAIRMAN. What is there about it?

Mr. LAFFERTY. She was put in dry dock on a Saturday on authority of the Construction and Repair Division in New York that there were some sea valves to be removed, cleaned, and so forth. The dock

was being used up until Saturday night. That necessitated working overtime on Sunday; to work the necessary overtime and dock her on Sunday. In docking the vessel she became stuck in the mud at the head of the dock, due to low water. That brought up the question of about 30 or 40 riggers standing by for about 5 hours apiece, which, at the double rate, would be 10 hours apiece. Besides that, when the vessel was docked the sea valves were cleaned aboard and never removed. This, as I say, happened on Sunday. On Saturday our chief checker, as was his regular custom, asked the Crane concern if they would have any overtime work the next day, Sunday, and he was advised that there was nothing doing and there was no need for him to have any checkers in the yard on Sunday. On Monday morning he was presented with three daily charge sheets, covering labor on board, labor, and tools in the shop, and materials for repairs on this *Gray Cloud*, at the overtime rate on Sunday. All that was after he had been advised on the Saturday before that there would be no work on Sunday.

The CHAIRMAN. Was it paid?

Mr. LAFFERTY. No, sir; it was cut. But upon investigation they tried to convince us that the sea valves were removed and taken to the shop and repaired; but we got an affidavit, a copy of which is attached to these papers, from the engineer aboard the vessel, stating that the sea valves were never removed; and we cut the charge, amounting to \$160. I say that is one case.

The CHAIRMAN. Did you find any indications there of work being slighted?

Mr. LAFFERTY. Well, we are continually cutting and disallowing charges for loafing and idle time and all that sort of thing. But that is a condition you will find in any other repair yard.

The CHAIRMAN. How many people do you have over there watching work on ships?

Mr. LAFFERTY. We have, as a rule, a time and a material checker on each vessel.

The CHAIRMAN. Does that mean one man?

Mr. LAFFERTY. One man picking up time, and one man picking up material; two men on each vessel. They work in conjunction with each other. There is always one man aboard the vessel if for any reason the other man has to leave.

The CHAIRMAN. How many vessels do they have there being repaired at a time?

Mr. LAFFERTY. The largest number I have ever seen on the commercial rate basis was 15 vessels.

The CHAIRMAN. On any basis?

Mr. LAFFERTY. Well, 15. They could not well handle any more.

The CHAIRMAN. Work going on on 15 at the same time?

Mr. LAFFERTY. 12 or 15. That would mean those tied up around the yard and in and outside of the yard, and on the docks.

The CHAIRMAN. Have you come across any cases where common labor has been utilized and charged for at skilled labor rates?

Mr. LAFFERTY. Why, no, I have not, with the exception of charging helpers, which I would not say was common labor; they charge them at mechanics' rates. They do not charge them at helpers' rates. That is, on all grades except machinists and blacksmiths.

The CHAIRMAN. Do you know whether the Crane Co. has a subsidiary corporation to which it sublets some of its work, scaling or anything of that sort?

Mr. LAFFERTY. I say positively they have no connection with any other concern. I have known that from investigating it.

The CHAIRMAN. Do you know of any instance of any attempts to corrupt Shipping Board officials?

Mr. LAFFERTY. I do not.

The CHAIRMAN. Do you know of any instance of fees or bribes having been given?

Mr. LAFFERTY. Not that I know of.

The CHAIRMAN. Do you know of any instance of any checkers or timekeepers being threatened or bulldozed or attacked?

Mr. LAFFERTY. We have had plenty of that.

The CHAIRMAN. You have?

Mr. LAFFERTY. Yes.

The CHAIRMAN. Just what has that been?

Mr. LAFFERTY. Well, as I have said, I have been there 18 months. I was at the Robbins yard the first six months, and then was transferred to the Crane yard, about the month of May a year and a half ago. The following July, which was two months later, we had the case of a man by the name of Kelly, who was aboard his vessel, I should say about 1.05 p. m., right after noon, and there were a certain number of caulkers aboard working, and he got hold of the caulker foreman and asked him to line up his men, so that he might count them, because there was a difference between the number working in the afternoon as compared with what had been on board in the morning. The caulker foreman did not use very choice language in answering his request, and told him, in other words, that that was what he was there for, and, if I may use his exact words, he told him to go to hell. At any rate, one word led to another, and the two men were standing aboard the vessel arguing, and a caulker came up in the back of our man Kelly, our checker, and hit him from behind with a caulker, knocking his eye out.

The CHAIRMAN. Knocking his eye out?

Mr. LAFFERTY. Yes, sir. As a matter of fact, that man has spent \$1,500 on specialists, and while he was able to have that eye put back into his head, eventually he will have to have the eye taken out; and he was laid up in a hospital for about six months. That is the first case that I know of.

The CHAIRMAN. Did you hear the altercation?

Mr. LAFFERTY. No; but I made up a report. I got on board about 10 minutes afterwards, and we tried to get this man, but he dove overboard and swam across to Red Hook, but we got detectives on the job and they picked him up in about two hours.

The CHAIRMAN. When was that?

Mr. LAFFERTY. A year ago last July. That may not be the exact time, and it might have been August or it might have been June. That man was brought to trial and sentenced to a year and a day. That is as far as I know about that case.

The CHAIRMAN. Do you know of any other instance such as that happening over there?

Mr. LAFFERTY. Yes. We had another case. Of course, I would not say it was an assault; that is in doubt. We had a checker by

the name of William Hartland, who was covering the repairs being made on a vessel lying abreast of another vessel; that is, the second one from the dock. In order to reach his vessel he had to cross this other one. We found him dead down in the hatchway at half past twelve one noon hour. We investigated that case but could not turn up very much. The ship had been fumigated, the hatchways, and from what we found out they claimed he was down in there trying to get some chicken feed for his chickens. They had been carrying some sort of grain feed, don't you know, and they said that in trying to get this stuff in the hatch he was overcome by the fumes. But that is the case, as I say, where we never could prove that there was any attack made upon him.

The CHAIRMAN. Do you know of any such case that you have been able to prove?

Mr. LAFFERTY. Yes; we had another case, and the last one that I know of.

The CHAIRMAN. Who was it made on?

Mr. LAFFERTY. John J. Pigot, who was a checker, and, as a matter of fact, one of the best checkers we have had down there—a man who was very efficient.

The CHAIRMAN. What happened to him?

Mr. LAFFERTY. He had an altercation with the office manager of Crane's. He went upstairs to settle a dispute between the claim made by Crane on daily records as to time charged, and the time as picked up by him and shown on his report. I believe he was in the office of Crane's with his superior, Mr. McNab, the chief checker. Words were exchanged during the argument over this time, and the office manager for the Crane concern accused our man of not being on the job and also of telling an untruth. Our man retaliated and told him he did not know what he was talking about. One word led to another, and this office manager of Crane's grabbed hold of our man and started to use him kind of rough, and in doing so Mr. Pigot grabbed hold of the desk to hold himself, and in some way wrenched his arm. I made a report on that. I was not in the particular office at the time, although the chief checker was. The chief checker was the superior officer—

The CHAIRMAN (interposing). It was an altercation arising out of some dispute over a difference in time?

Mr. LAFFERTY. Yes, sir.

The CHAIRMAN. And words were exchanged?

Mr. LAFFERTY. Yes, sir.

The CHAIRMAN. And finally hostilities were provoked?

Mr. LAFFERTY. Yes, sir.

The CHAIRMAN. And Mr. Pigot got hurt?

Mr. LAFFERTY. That is it.

The CHAIRMAN. How long ago was that?

Mr. LAFFERTY. I believe I have the date here. [After looking at some papers.] It was June 29.

The CHAIRMAN. Of last year?

Mr. LAFFERTY. 1920.

The CHAIRMAN. Is there any other instance that you know of such a thing happening?

Mr. LAFFERTY. That would cover, I should say, anything happening along that line.

The CHAIRMAN. Do you find any lack of cooperation between the head officials of these repair yards and the Shipping Board representatives in the matter of getting work done according to specifications? Is there any lack of cooperation there?

Mr. LAFFERTY. Well, from what I can see they cooperate all right, but they are very slow, that is, the Bureau of Survey that is handling the work for this end, is very slow in confirming anything in writing. The cooperation is there, but it is verbal. It is more or less of handicap both to the contractor and to the auditing force.

The CHAIRMAN. It is a handicap to the auditing force?

Mr. LAFFERTY. It is a handicap to every one concerned.

The CHAIRMAN. It is also a handicap to the repair yard, isn't it?

Mr. LAFFERTY. Very much so.

The CHAIRMAN. And they contend that if additional work is required, or some change in material or work already ordered is necessary, that it ought to be confirmed in writing?

Mr. LAFFERTY. Positively.

The CHAIRMAN. And the Bureau of Survey, you say, is slow in getting that written confirmation?

Mr. LAFFERTY. They may be a little better, as I have said, since December, but we have had only a few jobs since then. But up to December 1 they were very lax.

The CHAIRMAN. Do you know of work having been done and finished and the vessel has sailed in some cases before the written authority has come through?

Mr. LAFFERTY. That I can say is true in 90 per cent of the cases; that in 90 per cent of the cases the Bureau of Survey would not furnish requisitions until after the job was finished and the vessel had sailed.

The CHAIRMAN. How does that affect the work?

Mr. LAFFERTY. The way it works out is that a work order of that kind means, at the present time, that we have double work, for the simple reason that we receive daily records from the contractor. He may itemize the work ordered under the head of 30 items, and type it up and give in copies to sign for the different items, and he will lay them out to suit himself, the way he thinks is right. He may have 30 items, and we will work it up according to that, and copy our records, and combine our records, and make our records according to the way he has made up that work order. Then the Bureau of Survey may come along with a requisition, after the vessel has sailed and the job has been completed, and they may have only 15 items, or it may make 40 items, and the order is changed all around. This necessitates double work on our part to change our records, and it is the same with the contractor.

The CHAIRMAN. In a case where a vessel has sailed before you receive the requisition sheets, do you make any check on the work done there?

Mr. LAFFERTY. Positively. We check right along from the day that a vessel comes in in order to safeguard ourselves, and we put on a man to pick up time and material until such time as we know whether it is a contract or a lump-sum or a commercial-rate job. In other words, we are really covering more work than we should in order to safeguard ourselves.

The CHAIRMAN. Has there been any change in that practice recently?

Mr. LAFFERTY. Do you mean to ask, has the Bureau of Survey made any change, is that your idea?

The CHAIRMAN. Yes.

Mr. LAFFERTY. No; I would not say that; but up to December 1 the practice was what it had been for the past six months.

The CHAIRMAN. Up to December 1?

Mr. LAFFERTY. Yes, sir. Since December 1 I have not handled enough work there to be able to tell, but I doubt whether it is any better right now. In some cases you get requisitions four or five days after the job starts, and then you may get a supplemental statement two or three days before it is finished. In numerous cases you are working in the plant and do not know anything until about two or three days before the work is finished, or even after the ship has sailed. Occasionally you get one ahead of that time.

The CHAIRMAN. You have no authority, nor do any of the men in your department, to order additional work to be done?

Mr. LAFFERTY. Positively not.

The CHAIRMAN. Nor to order certain work to be discontinued?

Mr. LAFFERTY. No, sir.

The CHAIRMAN. Nor do you have any authority to say that too many men are being used on a particular job and that they must be dismissed from the job?

Mr. LAFFERTY. It sometimes seems to us that they need more men on a particular job, and that they must take on more; but the only way we can get around their having too many men on a job is to say that they are not working and to cut them under the caption of idle time and loafing.

The CHAIRMAN. You do not have any authority to go to the repair yard boss and say: "You have got too many men on this job and you must drop some off"?

Mr. LAFFERTY. No, sir. He would say: "You do not know what you are talking about. You are an auditor and not an engineer."

The CHAIRMAN. So you have no authority to order them dismissed?

Mr. LAFFERTY. No, sir.

The CHAIRMAN. To whom do you report?

Mr. LAFFERTY. Mr. Morris McLaughlin.

The CHAIRMAN. Who is he?

Mr. LAFFERTY. The chief auditor of repairs.

The CHAIRMAN. Where?

Mr. LAFFERTY. At No. 45 Broadway.

The CHAIRMAN. Is he a Bureau of Survey man, or a Shipping Board man?

Mr. LAFFERTY. A Shipping Board man.

The CHAIRMAN. He is a Shipping Board man?

Mr. LAFFERTY. Yes; he is my direct superior.

The CHAIRMAN. I see. So that if a vessel has sailed before you receive a requisition for the repair work, then all you can do is to compare the check that you made, if you made one, while the work was going on, with the requisition and with the contractor's time sheets.

Mr. LAFFERTY. That is it.

The CHAIRMAN. Well, now, do you have many instances of that kind?

Mr. LAFFERTY. Well, as I said before, that covers the biggest part of our work; that practically is the practice on every repair job that we have had in the last six months or more.

The CHAIRMAN. Do you recall the repairs on the U. S. S. *Guaro*?

Mr. LAFFERTY. Yes, sir.

The CHAIRMAN. How long was that vessel in dry dock?

Mr. LAFFERTY. It was only on dry dock for a few days, but she laid at the Crane yard for a period of about two months.

The CHAIRMAN. Two months?

Mr. LAFFERTY. Two months or more; yes, sir.

The CHAIRMAN. How extensive were the repairs to that ship?

Mr. LAFFERTY. I should say—I have not received a bill yet, but, off-handed, I should say \$20,000 or more.

Mr. CHAIRMAN. Were those repairs of such character as to necessitate her lying at the dock for two months?

Mr. LAFFERTY. No. I can explain that as far as I see it: The vessel went on the dock for repairs, and in the course of the repairs an order was issued from Washington to the Bureau of Survey or to the operator, and he in turn got in touch with the Bureau of Survey, and by telephone Crane was ordered to knock off on a certain day at 2 p. m. Now, up to the present time while I have corresponded back and forth on it I never could get the reason why they were knocked off. Probably it does not concern me inasmuch as I have covered it by different reports to my superior. He may have data on why they were knocked off.

The CHAIRMAN. Did they settle in connection with her?

Mr. LAFFERTY. They received an order some two days later to finish up the necessary work. That is, to plug up her bottom with wooden rivets in order to float her, and so forth; and then she was put on the dock again and those wooden plugs taken out and the rivets calked up. She was taken on the dock then, and that was two or three days after the original order was stopped, and she was tied up at Crane's. I sent in two reports on her to our office, and I believe they in turn got in touch with the higher officials, and she was eventually moved from the yard to some point on Staten Island.

The CHAIRMAN. Were the repairs completed?

Mr. LAFFERTY. They were not completed, no.

The CHAIRMAN. Is she still there?

Mr. LAFFERTY. She is at Staten Island; or, of course she may have left there by this time, but she left our yard to go to Staten Island.

The CHAIRMAN. How long ago was that?

Mr. LAFFERTY. The date was December 10, to a yard on Staten Island.

The CHAIRMAN. Have you ever received a requisition covering the repair work?

Mr. LAFFERTY. Originally I had a requisition covering a portion of the repairs, but up to the time of stopping the requisition I had covered only about one-half of the repairs. After that date, and after getting in touch with the New York office in regard to same, a requisition came through supplemental to the original, covering the biggest part of the repairs.

The CHAIRMAN. Well, has it been checked up?

Mr. LAFFERTY. It has been checked up, yes, and the requisition covers, as far as that goes, all repairs that were actually performed by the Crane's. But there was a question there of the redocking of the ship, and as I explained before, I never really got any good reason why the work was stopped. Of course, that could possibly be——

The CHAIRMAN (interposing). Who operates that boat?

Mr. LAFFERTY. Harris, Magill & Co.

The CHAIRMAN. Are they still operating her as far as you know?

Mr. LAFFERTY. Off-handed and unofficially from what I found out, the reason the work was stopped was: Harris, Magill & Co. were operating her, and the Shipping Board was to effect a sale of this vessel to some other operator, with the provision that they should make certain repairs, and they did not think at the time of negotiating to the seller that the repairs would be so extensive, or something of that sort, and they stopped it.

The CHAIRMAN. Did that deal go through?

Mr. LAFFERTY. That is only what I have gotten from hearsay.

The CHAIRMAN. Do you know that the deal went through?

Mr. LAFFERTY. I could not say. I could not say whether Harris, Magill & Co. are operating the boat or this other operator, or anything of that sort.

The CHAIRMAN. You have not been asked to make any other check on repairs or make any other report on the matter, have you?

Mr. LAFFERTY. No, sir. But to safeguard myself I have had the repair charges checked and re-checked by my men.

The CHAIRMAN. Now, do you have access to the bills for material and pay rolls for labor in the Crane yard?

Mr. LAFFERTY. Yes; to a certain extent.

The CHAIRMAN. What do you mean by "to a certain extent?"

Mr. LAFFERTY. We had access to all material bills, and for the simple reason that there is a material list of prices filed with the New York office, but it is very vague. In other words, instead of itemizing the bolts and different commodities, they say 50 per cent on list on bolts, or 25 per cent on cost, as it may be, for the different items. In order to verify them they have to show the bills, but where they have an item of material on their list, if they give us angle irons at so much per pound, I have to be guided by that list, and they can refuse to show me the bill. As a matter of fact, answering the thing as a whole, while we have access to labor and pay roll and invoices on materials under the commercial rate agreement, we do not have the same access that we do under the cost-plus agreement.

The CHAIRMAN. You do not?

Mr. LAFFERTY. No, sir.

The CHAIRMAN. Have you tried to get access?

Mr. LAFFERTY. I have tried; yes. There are certain items as to which you will meet with a refusal. They will contend that that is covered by the rate exhibited in the New York office, and that governs me. And, in a way, they are right. It is on file, you know, and accepted by the Shipping Board.

The CHAIRMAN. What have you to say as to the competition here between the various repair yards and dry docks?

Mr. LAFFERTY. Well, of course, as I say, I am only in one yard; but from a layman's view I would say that competition in that regard

is more or less a joke, because this so-called dry-dock association ^{that on is} nothing more than a getting together in an organization where ^{part e all} these things are gone over.

The CHAIRMAN. What do you say as to the rates that are filed ^{that d by} by the various shipyards?

Mr. LAFFERTY. The same thing applies there. I do not believe ^{that} that the rates will fluctuate much in the different yards. Of course, I do not like to speak outside of my own yard, because I am not really in charge of any other, but from information and getting in touch with the different field auditors on different questions, I have found that while we may be a few cents higher on this, we will be a few cents lower on that, in comparison with the other yards. But in reality they are all practically the same, and made up, in my estimation, by the dry-dock association.

The CHAIRMAN. What is done with the junk taken out of these vessels, or impaired machinery and materials?

Mr. LAFFERTY. We have not had much trouble with that. We have had that removed as soon as possible. We have had that removed to Kent Avenue storehouse as soon as possible.

The CHAIRMAN. Kent Avenue, Brooklyn?

Mr. LAFFERTY. Yes, sir. As a matter of fact, there are not more than three or four pieces lying in our yard at the present time, and they have been covered by reports.

The CHAIRMAN. Sometimes repairs are made in which the yard gets the junk?

Mr. LAFFERTY. Yes, sir.

The CHAIRMAN. How is that done?

Mr. LAFFERTY. On contract jobs occasionally—and I do not know whether that practice is in vogue yet, but it was—whereas the requisition specified that the contractor should take possession of the junk. Of course, on a contract job we practically have no check or authority and can not make much headway.

The CHAIRMAN. As I understand you, one of the difficulties, or perhaps handicaps, that the checkers or field auditors are working under at the present, is that even after requisitions have been furnished for work and material and labor to be furnished and performed, verbal changes are authorized by the bureau of survey, and you are not advised as to them sometimes until long after the work is done.

Mr. LAFFERTY. Yes.

The CHAIRMAN. Well now, can you keep track of a piece of repair work anyways accurately where that practice is followed?

Mr. LAFFERTY. I would say that practically it is making us do double work. In other words, I can point to a few cases that we have been up against. We would expect records daily on a repair job, and have checkers on her checking daily and putting in their reports, and we would check them against the contractor's daily charge sheets, that he submits day by day, and we would work those reports up, and have them in line, and then the requisition would come along from the bureau of survey, after letting the job run along for a certain time, on a time-and-material basis, as we had been advised to do by the bureau of survey, that requisition would come along, approved by the bureau of survey, probably making it a contract job, or vice versa.

The CHAIRMAN. A contract or a lump-sum job?

Mr. LAFFERTY. Yes, sir; or vice versa. It works both ways. Then there are cases where they will start off a job, supposedly to be a lump-sum job, and the contractor will not let us cover that with time-and-material checkers, and then when the job is turned into a commercial-rate job we have no records on it.

The CHAIRMAN. You say there have been instances where repair work has been awarded on a lump-sum basis?

Mr. LAFFERTY. Yes, sir; some of it is on a lump-sum basis. Of course, the lump sum is always supplemental.

The CHAIRMAN. And when that is done you do not have access to the records of the repair yard?

Mr. LAFFERTY. Every yard in the port of New York absolutely refuses to let you check time and material on lump-sum work.

The CHAIRMAN. Then after that work is completed sometimes it is changed to the commercial-rate basis?

Mr. LAFFERTY. Yes, sir; and we have no check and have to practically verify and accept their own figures.

The CHAIRMAN. How many men are there in Mr. McLaughlin's department up here, if you know?

Mr. LAFFERTY. Let me see—125 or 150.

The CHAIRMAN. Did you say 125 or 150?

Mr. LAFFERTY. Yes, sir.

The CHAIRMAN. How many repair yards are there in New York in which Shipping Board ships are being repaired?

Mr. LAFFERTY. I could not say.

The CHAIRMAN. Do you come across any instances of where material has been taken out of one Shipping Board ship by one repair yard man, and put into another one and charged for?

Mr. LAFFERTY. No; I have not found that condition.

The CHAIRMAN. That has not prevailed in the Crane yard?

Mr. LAFFERTY. No, sir.

The CHAIRMAN. How many ships are over there now being repaired?

Mr. LAFFERTY. Why, very few.

The CHAIRMAN. What would you say constituted a few, two?

Mr. LAFFERTY. I would say six, and of the six four are probably contract jobs, and two or three, at the most, on a commercial rate.

The CHAIRMAN. What do you mean when you say four are probably on a contract job, lump sum?

Mr. LAFFERTY. No, sir; the lump sum is an agreed price supplemental to the original contract. They make out a contract at a certain figure, and then in opening up the work some unforeseen work will turn up, don't you see, which at the time the contract was made they could not see.

The CHAIRMAN. Well?

Mr. LAFFERTY. They would have to cover that, and the way they work it is by taking a lump-sum figure. The lump sum, you see, is always supplemental to a contract. As I say, there are about four contract jobs or lump-sum and contract jobs running at the present time, and probably three commercial-rate jobs.

The CHAIRMAN. Three commercial-rate jobs?

Mr. LAFFERTY. Yes, sir.

The CHAIRMAN. And you have two men on each of those six or seven steamers over there?

Mr. LAFFERTY. Yes, sir.

The CHAIRMAN. Do they stay there all the time?

Mr. LAFFERTY. All the time that the repairs are going on; yes, sir. Night and day, if there is any night work, although that has been eliminated to a big extent.

The CHAIRMAN. Does the bureau of survey have any men there, too?

Mr. LAFFERTY. They have got their inspectors; that is, men that work in conjunction with the port engineers of the operating company, supervising the repairs as they go along. The port engineer is the real man to see that the repairs are executed according to the requisition. Of course, that is a big part of our work also, but from an engineering standpoint he is the real engineer to follow it up.

The CHAIRMAN. Well, now, what course is followed with reference to ships that come to the Crane yard, as far as you know? Say, a ship comes in here needing repairs, and the port engineer takes it up with somebody aboard the vessel, and they make out a requisition for the repairs, then are bids called for on that basis or is she assigned to a certain yard for repairs?

Mr. LAFFERTY. For time and material she is assigned.

The CHAIRMAN. Assume that the work is to be done on a time-and-material basis, then a vessel is assigned to the Crane yard?

Mr. LAFFERTY. Yes, sir.

The CHAIRMAN. And at some time or other you get a copy of the requisition?

Mr. LAFFERTY. Made out by the port engineer and approved by the bureau of survey; yes.

The CHAIRMAN. Made out by the port engineer and approved by the bureau of survey, do you say?

Mr. LAFFERTY. Yes.

The CHAIRMAN. You then assign two of your men to go down to that vessel?

Mr. LAFFERTY. As soon as the repairs are started.

The CHAIRMAN. As soon as the repairs are started you assign two men?

Mr. LAFFERTY. Yes, sir.

The CHAIRMAN. And they stay there and check up the material that comes on board?

Mr. LAFFERTY. The material, labor, and tools.

The CHAIRMAN. And tools?

Mr. LAFFERTY. Yes, sir.

The CHAIRMAN. Also the number of men employed?

Mr. LAFFERTY. Yes, sir.

The CHAIRMAN. And they do that until the work is completed?

Mr. LAFFERTY. Yes, sir.

The CHAIRMAN. Now, then, assume that while that work is in progress some additional work is ordered, verbally, I will say, or authorized by the bureau of survey, how do you get notice that the additional work has been authorized?

Mr. LAFFERTY. From the contractor.

The CHAIRMAN. From the contractor?

Mr. LAFFERTY. Yes, sir. That is not the way it should be, but that is how we get it.

The CHAIRMAN. I am asking you how you get it.

Mr. LAFFERTY. Yes, sir; that is the way.

The CHAIRMAN. The contractor tells you that he has been ordered to do this additional work?

Mr. LAFFERTY. Yes, sir.

The CHAIRMAN. And do you attempt to verify it?

Mr. LAFFERTY. We handle that separately from the general job.

The CHAIRMAN. You make a separate check of that?

Mr. LAFFERTY. That is it.

The CHAIRMAN. Then the work is completed and the vessel sails. Then what do you do with all those reports that you have made and the checks?

Mr. LAFFERTY. They make their bill out. Our reports are summarized and condensed into one figure and checked against their report, against their bill, I might say.

The CHAIRMAN. Do you mean the work done in the yard?

Mr. LAFFERTY. Yes; all differences are adjusted right there.

The CHAIRMAN. Do you have authority to adjust differences?

Mr. LAFFERTY. Yes, sir; we adjust differences daily and every day.

The CHAIRMAN. What kind of differences?

Mr. LAFFERTY. Well, you have differences all the time. They may have a record of 40 men on a vessel, and our checker may verify only 35, and we have got to be shown where the other five men were. If we can prove to them that they were not there, we turn around and disallow the charge for those five. It is not our worry what they are going to do about it, whether they are going to lose the money or charge it to a contract on an outside job. We are only concerned in paying for what our checker really sees.

The CHAIRMAN. Have you any instance of where men were working on one vessel in the afternoon and shifted over to another vessel and they charged the whole day to each vessel?

Mr. LAFFERTY. Well, the only real case I know of was on the *Gray Cloud*. Those men who were ordered in on the *Gray Cloud*, that I spoke of, on that Sunday proposition, were ordered in to work on the sea valves, but the sea valves were not removed for some reason or other as they expected them to be. There was some mistake about that. They used those men then on a contract job, on the *Polar Bear*, I believe the name of the vessel was, and charged them against the *Gray Cloud*. We were able to show them that those men did work on the *Polar Bear*.

The CHAIRMAN. And that was detected and adjusted and the Shipping Board was not charged for them?

Mr. LAFFERTY. Yes, sir; and that is the only case I know of.

The CHAIRMAN. That is the only case in the Crane yard?

Mr. LAFFERTY. Yes, sir. Of course, Crane's attitude on that was that they were entitled to pay for those men, having ordered them to work on the sea valves, regardless of whether they used them on a contract job or not.

The CHAIRMAN. What do you say with reference to the rates for material and labor as filed monthly by the Crane yard. Are they less now or more than in the beginning?

Mr. LAFFERTY. They have been practically what all repair yards have charged in the port of New York. They have filed a new set of rates, but that is mostly on account of Commander Gatewood, of

the Shipping Board, having gotten after those fellows and practically told them that their rates were too high. Then they filed a new set of rates as of December 1.

The CHAIRMAN. And the new rates for material and the new rates for labor have been filed?

Mr. LAFFERTY. Yes, sir.

The CHAIRMAN. Are they less than those charged before that?

Mr. LAFFERTY. Considerably less.

The CHAIRMAN. Have you come across any instance of fees being paid?

Mr. LAFFERTY. Fees in what respect?

The CHAIRMAN. By the repair yard man, to any of the officers of the steamer?

Mr. LAFFERTY. Well, that is a thing we would not be in touch with. It may be, but as far as we know we have not.

The CHAIRMAN. That has never been brought to your attention?

Mr. LAFFERTY. No, sir.

The CHAIRMAN. You have not come across any improper charges which included fees, bonuses, or gifts or anything of that sort, have you?

Mr. LAFFERTY. No, sir.

The CHAIRMAN. How large a force of men do they work over there at the Crane yard?

Mr. LAFFERTY. Well, it varies, according to the work that they have on hand; they are cutting down their force, and increase it from time to time. I would say that their real capacity would be about 500 men.

The CHAIRMAN. Five hundred?

Mr. LAFFERTY. Yes, sir.

The CHAIRMAN. That is the maximum, do you think?

Mr. LAFFERTY. The maximum; yes.

The CHAIRMAN. How many have they got over there now?

Mr. LAFFERTY. I would say half of that.

The CHAIRMAN. Two hundred and fifty?

Mr. LAFFERTY. Two hundred and fifty.

The CHAIRMAN. Is the material that is used in this work purchased by the repair yard, or is it furnished by the Shipping Board?

Mr. LAFFERTY. Purchased by the repair yard.

The CHAIRMAN. All of it?

Mr. LAFFERTY. All of it, with the exception of paint.

The CHAIRMAN. Paint?

Mr. LAFFERTY. Paint at some times is supplied direct by the Shipping Board.

The CHAIRMAN. Do you know of any instances of ships coming into the Crane yard where material has been sent from the Kent Avenue storehouse or warehouse, or any other warehouse to be installed?

Mr. LAFFERTY. Well, yes; I am wrong in the statement I just made. There are occasions where they will have a spare part at the Kent Avenue storehouse, and the requisition will specify to receive that from Kent Avenue and install it; but that is very seldom.

The CHAIRMAN. Very seldom?

Mr. LAFFERTY. Very seldom.

The CHAIRMAN. Have there been any repairs made at the Crane yard of transforming ships from coal burners to oil burners?

Mr. LAFFERTY. Why, no; I don't believe there was.

The CHAIRMAN. Do you recall any of that?

Mr. LAFFERTY. I do not recall any.

The CHAIRMAN. Do you recall any of them being transformed from oil burners back to coal burners?

Mr. LAFFERTY. Neither way. It is more of a general repair yard; that is, voyage repairs.

The CHAIRMAN. Have there been very many ships there for repairs to their shafts—new shafts installed?

Mr. LAFFERTY. We have had quite a lot of that.

The CHAIRMAN. How many, should you say?

Mr. LAFFERTY. I could not offhanded give you any idea, Mr. Chairman.

The CHAIRMAN. Well, more than two?

Mr. LAFFERTY. Oh, yes; considerably more than two.

The CHAIRMAN. Were those broken shafts?

Mr. LAFFERTY. Well, we have had at least two broken shafts, and we have had more or less repairs to shafts. I would say, probably, if I made a guess at it, I would say we have had 10 cases of repairs to shafts within the last 18 months.

The CHAIRMAN. Have you had any cases of vessels being brought in there where the propellers have dropped off?

Mr. LAFFERTY. We have had repairs to propellers, but not where they were off entirely.

The CHAIRMAN. How long do you say you have been at the Crane yard?

Mr. LAFFERTY. About 18 months.

The CHAIRMAN. About 18 months, and you think that during that time 80 or 90 per cent of the work they have been doing has been—

Mr. LAFFERTY (interposing). I know positively that it covers that amount.

The CHAIRMAN (continuing). Is on Shipping Board vessels?

Mr. LAFFERTY. Shipping Board; a very small percentage is outside the Shipping Board.

The CHAIRMAN. What other lines have had work done there that you recall?

Mr. LAFFERTY. As a matter of fact that would be a hard question for me to answer, because it does not concern me, and I never—

The CHAIRMAN. Well, don't you recall—

Mr. LAFFERTY (interposing). You might see the name of the vessel, but that would not tell you the name of the operator; do you see what I mean?

The CHAIRMAN. Don't you recall any one steamer?

Mr. LAFFERTY. Yes, sir; the Black Star had a few vessels in there.

The CHAIRMAN. The Black Star. How long has the Crane yard been established?

Mr. LAFFERTY. And they do quite a lot of work for the city of New York; fire boats.

The CHAIRMAN. Fire boats?

Mr. LAFFERTY. Yes, sir; and they do a lot of repairs to Lehigh Valley floats.

The CHAIRMAN. The train floats?

Mr. LAFFERTY. The train floats; yes, sir.

The CHAIRMAN. That they run the freight cars on?

Mr. LAFFERTY. Yes, sir.

The CHAIRMAN. How long has the Crane yard been established here, do you know?

Mr. LAFFERTY. It is an old-established yard; what year I could not say.

The CHAIRMAN. Mr. Foster, have you any questions?

Mr. FOSTER. Your position is field auditor for the division of operations; is that right?

Mr. LAFFERTY. Yes, sir.

Mr. FOSTER. You represent the Shipping Board here in that capacity?

Mr. LAFFERTY. Yes, sir.

Mr. FOSTER. From your experience, what practical suggestion would you make as to how conditions should be remedied from the Government standpoint, based on your experience and observations there?

Mr. LAFFERTY. Well, the real bad conditions that we meet at the present time is that bureau of survey, as I explained to Mr. Walsh. And of course if it could be remedied, whereby we would receive a requisition before the repairs started, we no doubt could overcome quite a lot of questions that arise after the vessel has sailed, and no doubt save a lot more money for the Shipping Board.

Mr. FOSTER. Well, what reason is assigned why that has not been done?

Mr. LAFFERTY. That is above me, I assure you.

Mr. FOSTER. Well, aside from your knowledge, what do you believe to be the reason, as you observe matters there, why a thing as apparent as that is not done for the sake of the Government?

Mr. LAFFERTY. Well, I have never even been in the bureau of survey's office, so I would not like to and I could not very well pass an opinion.

Mr. FOSTER. Did you say that 90 per cent of the vessels went out without the ability on your part to make that check?

Mr. LAFFERTY. Oh, no, no; you are wrong there. No; I say 90 per cent of the vessels repaired at Crane's yard are Shipping Board vessels.

Mr. FOSTER. Oh, yes.

Mr. LAFFERTY. In all cases, with the exception of an occasional lump-sum job, we in all cases have a check, time and material check. Occasionally a lump sum, where they will not allow us to check time and material, is later converted back to a time and material job, and we are without a check.

Mr. FOSTER. Well, now, how could that be remedied?

Mr. LAFFERTY. By making the different contractors allow Shipping Board checkers to cover and check the time and material on lump-sum jobs.

Mr. FOSTER. Why can that not be done?

Mr. LAFFERTY. Well, it was tried; that is, the board tried to have it that way, but why they could not do it I can not state, because that is above me.

Mr. FOSTER. Well, you have stated to the chairman here, in answer to his questions, these conditions; I am just asking for your judg-

ment as to how they should be remedied, not just that it can not be done.

Mr. LAFFERTY. Well, as I say, it could be remedied, by making the contractor let us check the lump sum. Why the Shipping Board has not made them do it I can not state.

Mr. FOSTER. Can you think of any reason that would make it impracticable to do that?

Mr. LAFFERTY. I can not see any reason whatsoever.

Mr. FOSTER. Do you know of any effort having been made to induce them to do that?

Mr. LAFFERTY. Yes; more than once.

Mr. FOSTER. By whom?

Mr. LAFFERTY. Why, by the different field auditors, from instructions they received from the New York office—Mr. McLaughlin, repair cost audit bureau; and also through letters sent out by Mr. McLaughlin to the different contractors, requesting that this be done.

Mr. FOSTER. With what success?

Mr. LAFFERTY. But both met with a flat refusal by the different contractors.

Mr. FOSTER. Well, now, what accompanied the refusal, if anything, as a reason?

Mr. LAFFERTY. That while they are willing to take a lump sum for an agreed price, say \$300, they are willing to take a chance of losing \$100 or making \$100 on that; they consider that is a fair figure and they do not see where we are concerned in checking time and material; in other words, they can not see where we are interested in getting their cost on that lump sum, when they have already agreed to do it for a certain price.

Mr. FOSTER. Do you not find this difficulty in connection with your experience, that the different branches of this work, all representing governmental activities, get rather jealous at each other's authority, and overlook the fact that they are representing one Government after all?

Mr. LAFFERTY. You mean, do not cooperate?

Mr. FOSTER. Yes, sir; is that not one failing?

Mr. LAFFERTY. Well, I have met with pretty fair cooperation. Of course, it may be that I keep after it until I get it; but I eventually—

Mr. FOSTER. That produces results anywhere, does it not?

Mr. LAFFERTY. But I have eventually been able to get it on everything I went after. Of course, you may not get it as fast as it ought to come.

Mr. FOSTER. Do you think that cooperation exists in this work as heartily or generally as in some of the larger private corporations?

Mr. LAFFERTY. I do not.

Mr. FOSTER. No. Why?

Mr. LAFFERTY. For what reason I could not state.

Mr. FOSTER. Just because they are working for the Government, is that one reason?

Mr. LAFFERTY. I could not say.

Mr. FOSTER. Well, just one question. You spoke about one of these mishaps on a vessel, where some man was found dead.

Mr. LAFFERTY. Yes, sir.

Mr. FOSTER. Which was attributed to some fumigating?

Mr. LAFFERTY. Yes, sir.

Mr. FOSTER. Who attributed it to that?

Mr. LAFFERTY. Well, every one concerned. As a matter of fact, it looked logical to myself and to everybody that investigated it at the time, for the simple reason that we could not get hold of any facts other than that. Of course, the man might have been pushed down that hold, he may have fallen down, and he may have walked down and was overcome.

Mr. FOSTER. The theory you adopted finally was that he was after chicken feed, is that it?

Mr. LAFFERTY. Yes, sir, that was the theory. The captain aboard the vessel had given him authority, so he says——

Mr. FOSTER. So the captain says.

Mr. LAFFERTY. Yes, to go down in this hatch two days before, to gather chicken feed, and he presumably was going down again this noon hour to get some more. As to whether that is so or not, of course, as I say, we never were able to get any facts to the contrary.

Mr. FOSTER. You adopted the theory that he had not secured more chicken feed than enough to keep his flock for two days?

Mr. LAFFERTY. Well, he may have been storing up, trying to get it all at once. He might have been trying to lay in a year's supply in two days.

Mr. FOSTER. For a large crop of chickens?

Mr. LAFFERTY. At any rate, his brother-in-law is a ship broker in State street, New York, a man that has been brought up in the shipping game, and he came over and investigated the thing personally, with his own lawyer, and he was satisfied that that was the case.

Mr. FOSTER. That is all now, Mr. Chairman.

The CHAIRMAN. Mr. Steele?

Mr. STEELE. You said the real bad situation is in the bureau of survey. What is the bad situation?

Mr. LAFFERTY. Not receiving requisitions in the right time, previous to repairs, or about the time that they started to make repairs. More often, when a job is finished or three-quarters finished, you get your requisition, showing you what repairs are called for.

Mr. STEELE. And the requisition is sent from where?

Mr. LAFFERTY. And up to that time you are working according to the contractor's say so about his work order.

Mr. STEELE. And that delay is chargeable to the bureau of survey?

Mr. LAFFERTY. Yes, sir.

Mr. STEELE. Is there any difficulty about the requisitions when they come?

Mr. LAFFERTY. You mean the wording?

Mr. STEELE. Yes, as to clearness and ability to follow them out.

Mr. LAFFERTY. Well, you have got to read between the lines more or less, but that is on account of procedure in shipping circles. I would not say there was any comment to make on that part.

Mr. STEELE. Then the real difficulty is the delay in receiving those requisitions?

Mr. LAFFERTY. In receiving the requisitions.

Mr. STEELE. Yes. Now, in the matter of a lump-sum contract, there your work is confined to seeing that the requisition or specifications are carried out, you are not interested in the cost of material there?

Mr. LAFFERTY. That is it; and we are not interested in a lump sum whatsoever, for the simple reason that they will not cooperate with us on it.

Mr. STEELE. Well, you are interested in seeing that the contract is carried out faithfully, however, are you not?

Mr. LAFFERTY. The Bureau of Survey and the port engineer is the one that follows out that part of it on a lump sum.

Mr. STEELE. Oh, that is outside of your work?

Mr. LAFFERTY. We are eliminated entirely from the lump sum. We have no say so whatsoever.

Mr. STEELE. You have also stated that competition is more or less of a joke here. To what extent does competition exist?

Mr. LAFFERTY. That is my idea.

Mr. STEELE. I understand. I want to know what you know about that.

Mr. LAFFERTY. Well, this dry dock association has meetings whenever any question arises, in regard to repairs, of cutting rates, or anything that would hurt their pocketbook whatsoever.

Mr. STEELE. Well, to what extent does competition exist in awarding repair contracts?

Mr. LAFFERTY. Well, in regard to the contracts, I have not got any authority whatsoever on contracts, but from the offhand knowledge that I have gained I have been able to say that competition is a joke as compared with the workings of the dry dock association, in regard to cutting of rates, etc. In other words, they work practically on that end of it, the same as they do if we want to cut a commercial rate.

Mr. STEELE. Well, now, in the first place, are these contracts awarded as the result of inviting competitive bids?

Mr. LAFFERTY. Are they what?

Mr. STEELE. Are they awarded as a result of inviting competitive bids?

Mr. LAFFERTY. Yes, sir; the lowest bids.

Mr. STEELE. Do they advertise for proposals?

Mr. LAFFERTY. Yes, sir. Tenders are received, and the lowest bidder awarded the job.

Mr. STEELE. And the lowest bidder is awarded the contract?

Mr. LAFFERTY. Yes, sir.

Mr. STEELE. Are the bids different from these different contractors, or are they practically the same?

Mr. LAFFERTY. Well, I am answering you a lot of questions here where I am not familiar with the work. It is only what I——

Mr. STEELE. When you said that competition was a joke——

Mr. LAFFERTY. Yes.

Mr. STEELE (continuing). I would like to know what you know about it, and what the situation is.

Mr. LAFFERTY. I see; but it is only offhand knowledge; it is not actual, because I am not connected with the opening of bids or with the contract bureau, and have no real knowledge of it.

Mr. STEELE. You mean to say, then, that you have no personal knowledge on the subject of awarding bids?

Mr. LAFFERTY. Only hearsay; that is all.

Mr. STEELE. Only from hearsay?

Mr. LAFFERTY. That is it. As far as a contract or a bid is concerned, I have nothing to do with it.

Mr. STEELE. Well, your statement that competition is a joke is based on hearsay?

Mr. LAFFERTY. That is all.

Mr. STEELE. And is the same thing true as to rates?

Mr. LAFFERTY. Well, as to rates, it is practically hearsay also, but it has been proven more or less by the fact that one yard will follow the other; in other words, if we get a ruling—if I get a ruling from the New York office to do a certain thing—for instance, not to accept a certain rate, and I go to the contractor and put it up to him, he will not declare himself; “I will let you know in two or three days, or four or five days.” The other fellow, in the other yard, does the same thing; the fellow in this yard does the same thing. They work all around the same way. The answer comes from the whole 5 or 6 or 10, or whatever it is, at the same time; the answer is the same from each one of them.

Mr. STEELE. The answer is the same?

Mr. LAFFERTY. We will take this,” or “We won’t take that.” Where does it come from?

Mr. STEELE. Your conclusion, then, is that there is collusion between these different bidders?

Mr. LAFFERTY. That is the idea, personally.

Mr. STEELE. And that they agree as to the prices?

Mr. LAFFERTY. It may be or may not be, but as it looks——

Mr. STEELE. You have no positive evidence of that?

Mr. LAFFERTY. No; no positive evidence.

Mr. STEELE. But that is your inference, from the fact that their bids are the same?

Mr. LAFFERTY. Yes, sir.

Mr. STEELE. I think that is all.

The CHAIRMAN. Mr. Connally?

Mr. CONNALLY. Mr. Lafferty, you say that the principal trouble is with the bureau of survey not supplying you in advance of the actual making of the repairs with a copy of these specifications?

Mr. LAFFERTY. Yes, sir.

Mr. CONNALLY. So that you can check the work up as it goes along?

Mr. LAFFERTY. Yes, sir.

Mr. CONNALLY. Well, why do you not get those; do you know?

Mr. LAFFERTY. Well, in order to answer you that——

Mr. CONNALLY. Are you not supposed to get them?

Mr. LAFFERTY. We are supposed to get them; yes. In order to answer you that question I would have to be able to tell you why the bureau of survey is behind.

Mr. CONNALLY. All right.

Mr. LAFFERTY. Which I can not do.

Mr. CONNALLY. You are supposed to get them. Have you ever made complaint to your superior that you can not get them?

Mr. LAFFERTY. Yes, sir.

Mr. CONNALLY. Where is he; right here in this city, is he not?

Mr. LAFFERTY. Yes, sir.

Mr. CONNALLY. Where is this board of survey?

Mr. LAFFERTY. Right here in the city.

Mr. CONNALLY. Where is the contract?

Mr. LAFFERTY. In the city.

Mr. CONNALLY. What is his reply; what is your superior's reply? Has he not done anything to get these copies?

Mr. LAFFERTY. As far as I know, he is working very hard to.

Mr. CONNALLY. What has he told you? I am not asking about as far as you know. When you complain, what has he done about it?

Mr. LAFFERTY. He has told me; where I have not received it, I hear from time to time that the thing—

Mr. CONNALLY. I am not asking about what you hear; I am asking about what your superior tells you and what you tell your superior.

Mr. LAFFERTY. That is what I am trying to tell you.

Mr. CONNALLY. You say you hear, and I want to know what you told him in the way of a complaint, and what he told you, and what is done about it.

Mr. LAFFERTY. I hear from him; in other words, he tells me from time to time that the requisition will come along at a better date, but until the time that we get to where we can receive a requisition before repairs start, work according to the work order of the contractor.

Mr. CONNALLY. All right. Now, do you go back to him when it does not come, and make another complaint that it has not arrived?

Mr. LAFFERTY. Yes, sure.

Mr. CONNALLY. You do that?

Mr. LAFFERTY. Continually.

Mr. CONNALLY. Just keep on?

Mr. LAFFERTY. And he has one man set aside in his office to take up these requisitions from the bureau of survey, and we are continually in touch with that man, trying to get a requisition from him, once a boat comes in; but we can not do anything.

Mr. CONNALLY. Well, now, who is it, this superior to whom you have been making these complaints?

Mr. LAFFERTY. Mr. McLaughlin.

Mr. CONNALLY. Mr. McLaughlin. And he is an officer of the Shipping Board?

Mr. LAFFERTY. He is the auditor of repairs.

Mr. CONNALLY. Auditor of repairs?

Mr. LAFFERTY. Repairs cost audit bureau.

Mr. CONNALLY. Of the Shipping Board?

Mr. LAFFERTY. That is it.

Mr. CONNALLY. His office is at 45 Broadway?

Mr. LAFFERTY. 45 Broadway. Now, why he can not receive it from the bureau of survey is by me; I can not explain that.

Mr. CONNALLY. Well, he does not receive it.

Mr. LAFFERTY. He knows that I have made complaints time and time again, on different cases, practically every time we do not receive one, and he is trying to get it; but why he can not get it is above me.

Mr. CONNALLY. He is the chief of all you inspectors?

Mr. LAFFERTY. Field auditors.

Mr. CONNALLY. Field auditors in the city?

Mr. LAFFERTY. Yes, sir.

Mr. CONNALLY. Around the bay here, or around the harbor?

Mr. LAFFERTY. Yes, sir.

Mr. CONNALLY. And that is his chief business, to look after you folks that are doing this actual field work?

Mr. LAFFERTY. Yes, sir.

Mr. CONNALLY. And the receiving, or rather the requiring of these requisitions, is one of his chief functions, is it not?

Mr. LAFFERTY. Yes, sir.

Mr. CONNALLY. And you do not get them?

Mr. LAFFERTY. No, sir. I doubt if there is anyone can get them besides him.

Mr. CONNALLY. Oh, yes; they can be gotten by going at it the right way. The Shipping Board can easily get them, or fire this Board of Survey, could it not?

Mr. LAFFERTY. The organization of the Board of Survey is not functioning right. Whether it is because they have not got a sufficient office force to cope with the situation—the volume of work—I do not know.

Mr. CONNALLY. Who is the chief of this Bureau of Survey in the city?

Mr. LAFFERTY. Martin & Gardner, two partners.

Mr. CONNALLY. Martin & Gardner?

Mr. LAFFERTY. Yes.

Mr. CONNALLY. Who in their office would be the one?

Mr. LAFFERTY. Mr. D. Dailey is the man that consumes the bulk of the work.

Mr. CONNALLY. D. Bailey. Have you ever taken up with him the matter of getting these requisitions?

Mr. LAFFERTY. No; because I work right with my own superior; I work through him.

Mr. CONNALLY. When is the last time you went to Mr. McLaughlin about his failure to get these requisitions? Now, let us get right down to brass tacks.

Mr. LAFFERTY. Let's see; a few weeks ago; I could not say what date.

Mr. CONNALLY. What?

Mr. LAFFERTY. I would saw two or three weeks.

Mr. CONNALLY. What particular requisition was it you complained of to Mr. McLaughlin as not having gotten?

Mr. LAFFERTY. I believe the last case was this one here—this *Guaro*—this case that I spoke about—the vessel lying for two months at the yard.

Mr. CONNALLY. So two or three weeks ago you complained to Mr. McLaughlin that you had not got the specification on this *Guaro*. How long had it then been at the yard?

Mr. LAFFERTY. I do not know whether that was the last one.

Mr. CONNALLY. I just want to get down to something definite now; to see how loosely you folks have been carrying on this job.

Mr. LAFFERTY. I guess there was one later than the *Guaro*; this one here is in November.

Mr. CONNALLY. You made a complaint to him, though, about that one, did you?

Mr. LAFFERTY. Yes, sir.

Mr. CONNALLY. Not getting the requisition?

Mr. LAFFERTY. Yes, sir.

Mr. CONNALLY. Was that in writing, or just verbally, orally?

Mr. LAFFERTY. I have also made it in writing.

Mr. CONNALLY. What?

Mr. LAFFERTY. I have made it over the phone and in writing, too.

Mr. CONNALLY. On this particular case?

Mr. LAFFERTY. Yes, sir.

Mr. CONNALLY. And also on the *Guaro*?

Mr. LAFFERTY. That is the one I have reference to, the *Guaro*.

Mr. CONNALLY. Oh, yes. That is the file on the *Guaro* [indicating]; where is that letter in there? Have you got a letter in there to him, a written complaint?

Mr. LAFFERTY. I have only got a letter on the missing supplementary. The original, I believe, I took up verbally in his office with him [indicating paper in file].

Mr. CONNALLY. Well, this is no complaint about it; you just say, "The above requisition to be issued." You make no complaint there about its not having been issued, do you? What I am trying to get at is, how much disturbed you have really been about not getting these requisitions, and what you have been doing to get them. As a matter of fact, somebody ought to have gotten them, and it is somebody's business in the Shipping Board to get them.

Mr. LAFFERTY. Yes, and from what I can say, Mr. McLaughlin has spent untold time and effort trying to line up this Bureau of Survey to get the requisitions. Now the reason we do not cover each one with a letter every time we get a repair job, the condition is known so well by 45 Broadway it is not really advisable for us to be calling every particular case to their attention. We call it to the attention of the man that is charged, is appointed, by Mr. McLaughlin.

Mr. CONNALLY. Who is he?

Mr. LAFFERTY. Mr. O'Reagan; but Mr. McLaughlin has been familiar right along with this condition, and he has been working untiredly to try to correct it. Now, what success he has met I do not know.

Mr. CONNALLY. Do you know whether he has ever called on the Board of Survey personally and taken this matter up with them?

Mr. LAFFERTY. Oh, positively; Mr. McLaughlin had it up with the Bureau of Survey and with Commander Gatewood.

Mr. CONNALLY. Where is Commander Gatewood's office, here in New York?

Mr. LAFFERTY. Well, that is 45 at Broadway. He practically has charge of the whole building at 45 Broadway; he controls all of it.

Mr. CONNALLY. And all these efforts of all these officials have not been able to get the requisitions?

Mr. LAFFERTY. I know off-handed that he is working very hard, and so is Commander Gatewood, and what success they have met with through those different interviews with the Bureau of Survey I do not know, because that is above my position to have that information.

It is not really worth while for me to run in to New York on every little case where we start a vessel and do not get a requisition, to run in to McLaughlin, or just to write him a letter on each particular one. We call up on the phone and give the data to Mr.

O'Reagan, and then he gets on the job to see if he can not hustle it along. Now, what promises have been made by the Bureau of Survey to Commander Gatewood or Mr. McLaughlin I do not know, but I know they have certainly been working very hard, right along, to try to line up this Bureau of Survey.

Mr. CONNALLY. Mr. O'Reagan's chief duty is to attend to this very matter?

Mr. LAFFERTY. This is one of his chief duties; yes.

Mr. CONNALLY. You say Mr. McLaughlin appointed him specially to look after that, and he is drawing pay for it?

Mr. LAFFERTY. Yes, sir; and since he has been appointed it has been 75 per cent better than before. In other words, from what I found out in New York here the other day he has been able to get quite a number of requisitions within the past month, approximately a few days after—

Mr. CONNALLY. I am talking about your yard now.

Mr. LAFFERTY. As to my yard, as I explained to Mr. Walsh, I can not make any comment for the last month or something, because they have had only a few jobs.

Mr. CONNALLY. Well, on those few did you get requisitions? Let us get down to brass tacks. On those few that you did have, did you get requisitions in time?

Mr. LAFFERTY. Not in time, no.

Mr. CONNALLY. So it has not improved at all?

Mr. LAFFERTY. Well, the general condition, as I was speaking to Mr. O'Reagan the other day, he said it has been improving. He has been able to get—

Mr. CONNALLY. I would prefer to have you just talk about things you know about now.

Mr. LAFFERTY. Yes.

Mr. CONNALLY. It has not improved at all with reference to your yard?

Mr. LAFFERTY. Not with reference to my yard.

Mr. CONNALLY. What were you doing, talking to Mr. O'Reagan about it the other day? You say you have not made any complaints since two or three weeks ago?

Mr. LAFFERTY. Well, I had a lump sum bill that I received for audit from Mr. O'Reagan, and on that commercial rate requisition I had two bills, two separate bills, and they were really for one commercial rate requisition. One was for a lump sum and the other for a commercial rate job. They were both on a commercial rate requisition, which was wrong; they should have been a lump sum requisition and a commercial rate requisition. So I took the matter up with Mr. O'Reagan, and during the course of the interview we got talking about requisitions in general.

Mr. CONNALLY. All right, that is all.

The CHAIRMAN. Anything further, Mr. Steele?

Mr. STEELE. No, sir.

Mr. FOSTER. Not a thing.

The CHAIRMAN. That is all. Is Mr. Pigot here?

Mr. PIGOT. Yes, sir; right here.

**TESTIMONY OF MR. JOHN J. PIGOT, FORMERLY CHECKER FOR
THE UNITED STATES SHIPPING BOARD.**

(The witness was duly sworn by the chairman.)

The CHAIRMAN. What is your name, Mr. Pigot?

Mr. PIGOT. John J. Pigot.

The CHAIRMAN. Are you employed by the Shipping Board?

Mr. PIGOT. I was.

The CHAIRMAN. When? When did you cease your employment with them?

Mr. PIGOT. Directly, from January 15 to the 1st of last July; from January 15, 1919, to the 1st of July, 1920.

The CHAIRMAN. In what capacity?

Mr. PIGOT. I was what they call a checker.

The CHAIRMAN. A checker?

Mr. PIGOT. A checker, that is what it is called.

The CHAIRMAN. What had been your business or occupation prior to your coming to the Shipping Board?

Mr. PIGOT. I had been with the foundation people in the building of the wooden ships at Kearney, N. J., I was timekeeper over there, and checker also; timekeeper and checker at that yard over there.

The CHAIRMAN. And prior to that what had been your business?

Mr. PIGOT. Well, I call the art business my business.

The CHAIRMAN. Art business?

Mr. PIGOT. Yes, art business. I worked into other things at the same time, but I made the art business my principal business. I was in the art business for about 20 years. Prior to that I had been identified with the shipping business at the port of New York.

The CHAIRMAN. In what capacity?

Mr. PIGOT. In a merchant's way, and I had visited shipyards and been over ships building, wooden and otherwise, in different ports around the United States and on the Atlantic coast.

The CHAIRMAN. What yard were you assigned to as checker and timekeeper?

Mr. PIGOT. When I was hired?

The CHAIRMAN. Yes.

Mr. PIGOT. The Morse yard.

The CHAIRMAN. The Morse yard?

Mr. PIGOT. Yes, sir.

The CHAIRMAN. How long were you there?

Mr. PIGOT. Oh, offhand, I would say about three months.

The CHAIRMAN. Did you go to any other yards?

Mr. PIGOT. Oh, yes.

The CHAIRMAN. What other yards?

Mr. PIGOT. I was with the Crane yard, and I was at the Atlantic Basin yard.

The CHAIRMAN. That is in Boston?

Mr. PIGOT. No; that is here in Brooklyn.

The CHAIRMAN. The Atlantic Basin?

Mr. PIGOT. Yes. I was at the Robbins yard, Brooklyn, Erie Basin. They are all port of New York yards. I was never on any business for the Shipping Board outside of the port of New York.

The CHAIRMAN. Well, what other yards?

Mr. PIGOT. I guess that covers it. Yes, the Ramberg Docks, and then there were some shops that you had to look after; they did not have yards, but they had shops, and they had little jobs around on vessels throughout the port.

The CHAIRMAN. Did you have anything to do with the requisitions that are issued for the repair work?

Mr. PIGOT. Yes, sir.

The CHAIRMAN. What have you to say with reference to the issuance of the requisitions, as to the time of beginning or going along with the work?

Mr. PIGOT. Well, sometimes we would get them and sometimes we could not get them, while work was going on or after.

The CHAIRMAN. What seemed to be your usual experience, that you did get the requisitions before the work began, or before it was completed, or that you did not get them until afterwards?

Mr. PIGOT. I would say, to make a general average, after the work was half done; that would be the average. Sometimes we would get a requisition at the start, for a small thing, sometimes we got it after the thing had started, sometimes they would come along about the middle of the job, and sometimes it would come along after the job was over.

The CHAIRMAN. Just what were your duties now? Suppose a ship comes into a yard where you are employed as checker, just what do you have to do?

Mr. PIGOT. Well, we are first assigned to the ship.

The CHAIRMAN. By whom?

Mr. PIGOT. By your next superior.

The CHAIRMAN. Who would that be?

Mr. PIGOT. He was in the last case Mr. McMahon, at the Crane yard.

The CHAIRMAN. What is his title?

Mr. PIGOT. Chief timekeeper, isn't it [addressing Mr. Lafferty]?

The CHAIRMAN. You were assigned by the chief timekeeper to the ship?

Mr. PIGOT. Of that local office; not from the New York office.

The CHAIRMAN. Yes. Then what do you do? You go aboard the ship and what do you do?

Mr. PIGOT. Go aboard the ship, look her over, find out what everybody aboard is in the way of a workman, find out who he belongs to, what job he is on, and so on, and lay for them at the gangway and catch them there. If they go aboard before you are assigned you have got to go through the ship from stem to stern, and from keel to masthead to get them, if it is a big job; of course, if it is a small job you can pick them up in a few minutes.

The CHAIRMAN. How did you get that information, by asking the men themselves?

Mr. PIGOT. Yes. Well, it is done differently, according to what the job is.

The CHAIRMAN. Well, how did you do it?

Mr. PIGOT. If it was a job and I got there ahead of anybody going aboard the ship, I got them coming up on the gangway.

The CHAIRMAN. Got who?

Mr. PIGOT. The men; found out what their work was, whether they were machinists or what they were, boiler makers or pipe fitters and so forth, and got their number.

The CHAIRMAN. Did you make a record of it?

Mr. PIGOT. Made a record, right there. And then I usually went through the ship after that to see that nobody got in ahead of me or slipped over the side, or something like that, and picked them up. Sometimes they would do that, don't you know.

The CHAIRMAN. Are you the gentleman who became involved in an altercation with one of the contractors, or one of the contractor's men?

Mr. PIGOT. Altercation? I don't know what you mean. Do you mean the matter that Mr. Lafferty spoke about?

The CHAIRMAN. Yes.

Mr. PIGOT. Well, the altercation was all on one side; he did all the altercating. Why, it was a question of the *Lake Ogden*, a matter of time on that, and arrangements had been made prior to January 1, 1920, I think one or two days before, for me to go up into the Crane yard office with my chief checker, and somebody representing the auditor's office in the matter of a difference of my time and the Crane yard people's time. It was fixed for January 2; Mr. Lafferty is in error about the assault being made in their office on July 22.

That was the second time, it was the time I was thrown out of the Crane yard. It was on July 22 when I was assaulted in Crane's office. There was a man there named Doyle; I went up with Mr. McNabb, and Mr. Ferd Schecht and Mr. McNabb made some remark and said, "Well, we are here," or something like that, "and Pigot says that he is right." Doyle, Crane's man, said, "He was not on the job; well, he was not on the job." I pretended not to hear it and sat there and McNabb sat here [indicating]. I wanted him to repeat it, but before I could get the repetition, McNabb said, "Did you hear that, Pigot?" I said, "What was it?" "Doyle says you were not there." "I was. Do you assert that?" He said, "I do." I said, "That is a falsehood," and he ordered me out of the office.

I told him I was there to represent the Shipping Board at the invitation of the Shipping Board, to protect the funds of the Government; and he jumped up and grabbed me around the arms here [indicating], and before he hauled me I caught the desk, a typewriter desk just behind there—and, well, they juggled me all around the room for I don't know how long, perhaps a minutes and a half, and I held on to the typewriter desk long enough to wear it out. He had me all over the floor, manhandling me; and he got tired of the job and he went back to his desk. He still ordered me out, but I told him I would not go until Mr. McNabb released me, my superior. And McNabb said, "You can go, Mr. Pigot."

So I told Doyle then, I said, "Now, I don't leave because you wanted me to go out; I leave because Mr. McNabb has released me, and I may have you arrested." And that is where it ended. I had to go to the doctor, and my hand was in bad shape for practically six weeks, and on many days I could not write out the reports, and my partner on the ship on which we were working had to make out my reports for me

from memoranda I had made. I could not write a clear, definite report.

The CHAIRMAN. That was a case where you went up to the office there?

Mr. PIGOT. Yes, sir.

The CHAIRMAN. And you asked a man if he asserted something, and he said he did, and you told him it was false?

Mr. PIGOT. I did.

The CHAIRMAN. And he jumped for you?

Mr. PIGOT. He jumped.

The CHAIRMAN. And that man's name was Doyle, was it not?

Mr. PIGOT. Doyle; yes sir.

The CHAIRMAN. In your work adjusting differences or bringing to the attention of the repair yard men for their force matters in dispute, would they not usually stick by their position, the repair yard men?

Mr. PIGOT. The position they took?

The CHAIRMAN. Yes.

Mr. PIGOT. Oh, yes, surely.

The CHAIRMAN. Well now, you say another time you were put out of the office, in July?

Mr. PIGOT. Out of the yard.

The CHAIRMAN. Out of the yard?

Mr. PIGOT. Out of the yard, yes.

The CHAIRMAN. How long was that before you left the Shipping Board's employ?

Mr. PIGOT. I was there still in the Shipping Board employ.

The CHAIRMAN. How long was it before you left the Shipping Board employ?

Mr. PIGOT. That was on June 29, and I was released by the Shipping Board, according to Admiral Benson, on July 1.

The CHAIRMAN. Well now, did that arise out of some dispute as to time and material?

Mr. PIGOT. No, that arose because Mr. McNabb, the local chief timekeeper at the Crane yard for the Shipping Board, told the Crane people that I was no longer in the employ of the Shipping Board, that I had been released.

The CHAIRMAN. Oh, I see. Well, McNabb was mistaken, was he?

Mr. PIGOT. No, it seems not. I could not get the information from 45 Broadway, so I wrote Admiral Benson about it, and he said it was all right, that I was released; I was dismissed as a matter of economy. I have got his letter here.

The CHAIRMAN. Well, you were dismissed the 1st of July, were you? [Mr. Pigot produced a letter and handed it to the chairman.]

The CHAIRMAN. This is a letter dated August 24, in which he states that you were released June 14th, and he attached a copy of a letter.

Mr. PIGOT. Yes.

The CHAIRMAN. Of June 14, advising you of being released; but you never got it; is that it?

Mr. PIGOT. I never got it; never got it yet.

The CHAIRMAN. And he further states that no charges were made against you, and your release was brought about by the necessity of a considerable reduction in the force.

Mr. PIGOT. That is what the letter says.

The CHAIRMAN. Now, do you have a schedule to go by, Mr. Pigot, when you are checking up labor and material on these ships?

Mr. PIGOT. Just what do you mean by a schedule, Mr. Chairman?

The CHAIRMAN. Well, when you go aboard there and find out what these men are all doing, what they are there for, and what work is going on, do you know whether they are using the material that is required, or whether they are using more than is required, or whether they are using less, or whether they are using a different kind? Do you have some schedule?

Mr. PIGOT. You are asking a very broad question there.

The CHAIRMAN. Well, I want to know.

Mr. PIGOT. Well, we do and we don't know. That is, I won't say "we," I will say I do and did not; I did and I did not. If you have no requisition you can not work.

The CHAIRMAN. When you did know, what did you have so that you were able to know?

Mr. PIGOT. You mean, any official documents or anything?

The CHAIRMAN. You said you did know and you didn't know. Now, I say, when you did know what did you have so as to be able to know?

Mr. PIGOT. Oh, well, the requisition.

The CHAIRMAN. The requisition. Would that set forth the number of men that would be required to work?

Mr. PIGOT. No.

The CHAIRMAN. Well, how did you know whether they had too many men or not enough?

Mr. PIGOT. It was none of my business.

The CHAIRMAN. None of your business?

Mr. PIGOT. No; that was the department of engineer's business. We had no control over that whatever. If we interfered in there we would get in hot water.

The CHAIRMAN. Did the engineers have some checkers there, too?

Mr. PIGOT. No.

The CHAIRMAN. Inspectors?

Mr. PIGOT. No; only the local time and material office.

The CHAIRMAN. Well, now, Mr. Pigot, you have told us what you did when you got aboard the vessel; you got the names.

Mr. PIGOT. Numbers.

The CHAIRMAN. Or the numbers of these men.

Mr. PIGOT. Names or numbers. Sometimes names, according to the job; yes.

The CHAIRMAN. And found out whether they were in the engineering force, or whether they were caulkers or carpenters, or whatever it was.

Mr. PIGOT. What job they were on.

The CHAIRMAN. After you did that and got that information, what would you do in checking up the job, after you had got that information?

Mr. PIGOT. I would go as they came aboard and take the time of each man separately and individually, and the whole thing collectively, and make my daily reports and all that, and stick to the job until it was done.

The CHAIRMAN. What would you have to advise you as to whether the material that was being furnished was that called for by the requisition?

Mr. PIGOT. It was supposed to be called for by the requisition in some cases, but not in all.

The CHAIRMAN. When it was not called for by the requisition, what did you do?

Mr. PIGOT. Passed it along, let it go through. We had no authority whatever in that way.

The CHAIRMAN. But you would check it up, would you not?

Mr. PIGOT. Yes, sir.

The CHAIRMAN. Find out how much there was of it?

Mr. PIGOT. Yes, sir.

The CHAIRMAN. And where it was being used?

Mr. PIGOT. Yes, sir.

The CHAIRMAN. As far as the checking up of the work went, it made no difference whether you had the requisition or not, as far as your being able to check up what was being actually done and what material was actually used, did it?

Mr. PIGOT. No, no. I would check it up, anything coming aboard on that job I would check it up, requisition or no requisition.

The CHAIRMAN. That is it. Now, you would make a daily report?

Mr. PIGOT. Yes, sir.

The CHAIRMAN. And after the work was done you would make a summary, would you?

Mr. PIGOT. No.

The CHAIRMAN. You would not?

Mr. PIGOT. It is not necessary at all.

The CHAIRMAN. That would not be necessary?

Mr. PIGOT. No, that was superfluous.

The CHAIRMAN. Was there anything with reference to the actual checking of the time and material that could have been done better?

Mr. PIGOT. Competency; that is all.

The CHAIRMAN. Well, by having more competent men?

Mr. PIGOT. Aye, aye.

The CHAIRMAN. Did they have enough men to cover the jobs, according to your observation?

Mr. PIGOT. Sometimes yes and sometimes no.

The CHAIRMAN. Would they have more men for a large job than they would for a small one?

Mr. PIGOT. Not necessarily, unless it happened to be a large ship, say for instance—do you want data on the Crane yard, or generally?

The CHAIRMAN. Generally; the yards that you have been in; you have been in several yards.

Mr. PIGOT. Yes. You take the ships they have got down at Crane's; they did not run much more than 5,000, did they—tons? [Addressing Mr. Lafferty.] But you take the Morse yard; they could dock a 30,000-ton ship. They would have perhaps four gangways—two gangways forward and aft on each end of the dock—and you would have to pile up your men on each end; but we did not run across much of that.

The CHAIRMAN. Did you run across many excessive charges being made in any of these yards?

Mr. PIGOT. Excessive charges?

The CHAIRMAN. Yes.

Mr. PIGOT. I certainly did.

The CHAIRMAN. For what?

Mr. PIGOT. For labor and material, especially labor.

The CHAIRMAN. Now, what was that?

Mr. PIGOT. Do you want a specific case, or do you want me to cover it as a blanket?

The CHAIRMAN. Well, I would like to have you give us a specific case of an excessive charge for labor and material.

Mr. PIGOT. I have no special data with me, but I will tell you how it was done. They would charge more men on a job than were on the job to a certain ship, if there was one ship in work. If there were two ships in work, we will say one was a contract job and the other was a time and material job, commercial-rate job. The contract job meant that there was a job for so much; do it. We did not cover that, excepting in a perfunctory way, at times when we thought it was necessary, to see that something was going on; but that was none of our business, as a rule, the contract job.

The CHAIRMAN. Wait just a moment before you go on. Let me ask you about that. You say that where the ship was put in the yard to have repairs done for a lump sum, say \$25,000 for these repairs, you did not bother to check up that work at all?

Mr. PIGOT. Only in a perfunctory way. There was nothing definite about doing it. The contract jobs went on without being covered, many times. Sometimes they were; sometimes they were not. But all commercial-rate jobs were covered.

The CHAIRMAN. I am not asking about commercial-rate jobs, Mr. Pigot.

Mr. PIGOT. All right.

The CHAIRMAN. I am asking about a lump-sum contract job.

Mr. PIGOT. Yes, sir.

The CHAIRMAN. You say that you would not follow up the work under a lump-sum contract job?

Mr. PIGOT. Not closely.

The CHAIRMAN. You say in a perfunctory way you would follow it. What would be the idea—

Mr. PIGOT. We would keep our eyes open for extras.

The CHAIRMAN. Well, how often would you go aboard a ship where that work was going on?

Mr. PIGOT. We might be assigned to it for the whole time doing it, and might only be there a little while. I might be on another job, and once in a while drift over to it and have a look over it.

The CHAIRMAN. But you would not follow up to see if the proper material was being used?

Mr. PIGOT. That was outside our province entirely.

The CHAIRMAN. All right, sir. Now, were you starting to say, Mr. Pigot, that there would be a lump-sum job and a commercial-rate job going on at the same time?

Mr. PIGOT. I was.

The CHAIRMAN. What might happen there?

Mr. PIGOT. We will say this is a bulkhead [indicating], it might be a pier just as well. There is a contract job and here is a time and material job, or it might be just different. Time and material jobs, of course, we had men to cover. The contract job, as I told you,

was covered only in a perfunctory way. We had nothing to do with the time and material, practically, at all. They would load up the commercial job, the time and material job, with men that were working on here [indicating].

The CHAIRMAN. On the contract job?

Mr. PIGOT. Yes. They would charge them against this time and material job, and have them working over here [indicating].

The CHAIRMAN. Well, would you discover that?

Mr. PIGOT. Oh, I did, yes. That is why I got in bad with the Crane yard. I got beaten up and threatened to be murdered, and things like that. There was a very pleasant situation down there; a nice lively yard, believe me.

Now, there might be a private job here [indicating], and a contract job there, and a time and material job here. Fellows they had working on those two vessels would be charged up on this time and material job, if you didn't look out, and you had to throw them out. There might be another, there might be a number of vessels there, and they would load all of them together—

The CHAIRMAN. Well, there might be; but now I am asking you if you know of instances where there was.

Mr. PIGOT. Yes; and I threw it out.

The CHAIRMAN. Well, was it paid for?

Mr. PIGOT. It was not paid for, no; as far as I know. Mr. Lafferty can tell you about that.

The CHAIRMAN. When you discovered that you would report it to the proper authorities, and you assumed that the proper adjustment was made?

Mr. PIGOT. Yes; there was usually—when there was much difference, there was usually quite a little scrap over it.

The CHAIRMAN. Would you be called in by anybody to verify your reports?

Mr. PIGOT. Yes.

The CHAIRMAN. Who would do that?

Mr. PIGOT. Usually my chief timekeeper, sometimes Mr. Lafferty would enter into it, etc. I remember one instance they were trying to put something over, and I had got sick of the whole confounded scheme down there, and I came into the office and Lafferty was there, and McNabb was there. Do you remember that day, Lafferty?

The CHAIRMAN. Never mind any conversation with Mr. Lafferty. You are testifying under oath here.

Mr. PIGOT. I am. I said to Mr. Lafferty and to the rest of them, I said, "Now, it is about time the Crane yard—this thing of the Crane yard running this Shipping Board office should be stopped." Whatever the trouble was I forget, but we took it up, and they adjusted the matter and got it straightened out.

The CHAIRMAN. Do you know of any instances where the matter was not straightened out, as you reported things of this sort?

Mr. PIGOT. Where the matter was not straightened out?

The CHAIRMAN. Yes.

Mr. PIGOT. I had nothing to do with the auditing of the bills.

The CHAIRMAN. I did not ask you that. I asked you if you know of any instance where you reported things of this sort and where the matter was not straightened out? Do you know that?

Mr. PIGOT. No.

The CHAIRMAN. You do not?

Mr. PIGOT. Not definitely; no.

The CHAIRMAN. I see. Did you come across any instances of where material would be taken out of one Shipping Board ship and used in making repairs on another ship?

Mr. PIGOT. No; I could not say that.

The CHAIRMAN. And charged for as new material?

Mr. PIGOT. No.

The CHAIRMAN. Would you have supervision, Mr. Pigot, of the material that did come out, checking that?

Mr. PIGOT. Yes, sir; we had to keep a record of everything that left the ship, that was Shipping Board property, and everything that came on the ship that was charged against the Shipping Board.

The CHAIRMAN. Did you come across any instances of any irregularities in reference to material coming off the ship?

Mr. PIGOT. Coming out?

The CHAIRMAN. Yes.

Mr. PIGOT. They would all try, all the yards would try to get it without giving the Shipping Board credit for it if they could.

The CHAIRMAN. Well, do you recall any instances where they did?

Mr. PIGOT. Why, I would stop it; as far as I was concerned I would stop it. I saw that the Shipping Board got credit, whatever vessel I was on.

The CHAIRMAN. Do you know of any instances of these yards awarding work to subsidiary corporations of their own?

Mr. PIGOT. Yards giving contracts, subcontracts, to subsidiaries of their own?

The CHAIRMAN. Yes.

Mr. PIGOT. Why, that question is not quite clear. They may have a painting department, or they may be interested in some painting concern. Would you call that a subsidiary?

The CHAIRMAN. Well, what I am endeavoring to ascertain is, if you have any knowledge of where any of these repair yards where you worked, sublet a contract for part of the work to some other concern which was a subsidiary of the repair yard, either for boiler scaling or for painting, or for doing part of the work.

Mr. PIGOT. Why, they would have some painting done by some other company, some painting concern that was outside of their own; some asbestos work done by some concern outside of their own, if they did not have the equipment, or something in that way. That is all I know.

The CHAIRMAN. When that was done, Mr. Pigot, would you check up the amount and the material done by this outside concern?

Mr. PIGOT. Oh, yes.

The CHAIRMAN. Just the same?

Mr. PIGOT. Just the same.

The CHAIRMAN. As part of the original contract?

Mr. PIGOT. Yes, sir.

The CHAIRMAN. Or arrangement for repairs?

Mr. PIGOT. Yes, sir; and that it was so and so did the job; James Brown & Co. did the job, and whether it was a Crane yard job or a Morse yard job.

The CHAIRMAN. I see. Were you familiar with the provisions of this M. O. 3 agreement?

Mr. PIGOT. I don't know it by that name, that number. I did not follow those things. What page is that, please?

The CHAIRMAN. I do not know what page it is on. I am asking you if you are familiar with this M. O. 3 agreement, under which these ships were operated?

Mr. PIGOT. If you ask me some questions about it, perhaps I can remember it.

The CHAIRMAN. Well, do you know the agreement under which the repairs were to be supervised by the bureau of survey?

Mr. PIGOT. Do you mean that one entered into about six months ago?

The CHAIRMAN. I do not know when it was entered into, and I do not care. I am asking you if you know of any agreement entered into with the bureau of survey whereby they were to supervise the repairs?

Mr. PIGOT. Why, I saw some official paper some time last spring advising the different yards, or somebody, about an outside concern going to be employed to take over the survey, etc., and all that, of vessels.

The CHAIRMAN. Was that sent to you officially in the usual course?

Mr. PIGOT. No. I saw it. I have a habit of picking things up and reading them.

The CHAIRMAN. You were not notified?

Mr. PIGOT. I was not notified; I saw it in somebody's office.

The CHAIRMAN. I see. With reference to your employment at the Crane yard, I understood you to say that you had been threatened down there.

Mr. PIGOT. Oh, my; that was a daily occurrence.

The CHAIRMAN. By whom?

Mr. PIGOT. Well, the workmen would threaten me.

The CHAIRMAN. For what?

Mr. PIGOT. For keeping time right; and the Crane timekeeper would threaten me because I would not keep the time they wanted; the way they wanted me to keep it.

The CHAIRMAN. Well, now, did you have somebody working there with you?

Mr. PIGOT. Yes.

The CHAIRMAN. Did you ever hear of that man being threatened?

Mr. PIGOT. No. He was a big fellow.

The CHAIRMAN. Well, who was he?

Mr. PIGOT. Mr. Stallard was one; he worked with me there.

The CHAIRMAN. How do you spell it; if you know?

Mr. PIGOT. S-t-a-l-l-a-r-d.

The CHAIRMAN. What was he, Mr. Pigot?

Mr. PIGOT. He was another time and material checker.

The CHAIRMAN. He was the same sort of an employee?

Mr. PIGOT. Yes; the same as myself; yes.

The CHAIRMAN. You say you never heard any threats made against him?

Mr. PIGOT. No; I guess they thought they went too far with him.

The CHAIRMAN. Never mind the reason. I am asking you if you heard any threats being made against Mr. Stallard?

Mr. PIGOT. None.

The CHAIRMAN. Did you ever work with anybody else in any way?

Mr. PIGOT. I do not recall who else might have been around when threats were made against me.

The CHAIRMAN. No, did you ever hear anybody else who worked with you being threatened, or were the threats usually directed against you?

Mr. PIGOT. Why, those things were so common you forgot them. It is like eating your three meals a day and forgetting about them.

The CHAIRMAN. Well now, did this happen in other yards besides the Crane yard?

Mr. PIGOT. Yes.

The CHAIRMAN. Threats were made in other yards?

Mr. PIGOT. Yes; oh, my, yes. I had an experience at the Atlantic Basin Iron Works, over at Clifton, Staten Island, on the *West Alsack*. I had been sent up from the Morse yard to install and instruct the new system, as it was then known. I seem to have been one of the first to have taken it up in the Morse yard and mastered it in such a way that Mr. McLaughlin in New York paid me a high compliment.

The CHAIRMAN. Well, what were you sent up there to do?

Mr. PIGOT. To install this system.

The CHAIRMAN. What system?

Mr. PIGOT. I went up there, and the vessel—

The CHAIRMAN. What was the system, Mr. Pigot?

Mr. PIGOT. The new system, the present system of checking the labor, time, and material.

The CHAIRMAN. Oh, yes.

Mr. PIGOT. Which is very fine, if properly done.

The CHAIRMAN. What system did they have before?

Mr. PIGOT. Oh, my, none.

The CHAIRMAN. They did not have any?

Mr. PIGOT. No.

The CHAIRMAN. Well, what happened when you got up there?

Mr. PIGOT. Well, finally I found the man who was chief checker there, who ought to have been there at half past 7 and did not get there until—I don't know what time in the morning, but I got over to the *West Alsack* at Clifton at 12 o'clock, got aboard the ship, and there were men scattered all over. One o'clock came and there didn't seem to be anybody going to work. A few fellows were up under the forecastle end asleep, some other fellows were playing craps, and others sitting around talking, etc.

The CHAIRMAN. When was this?

Mr. PIGOT. I have not got that data with me. Last spring.

The CHAIRMAN. Last spring?

Mr. PIGOT. It was last spring; no, the spring of 1919, not 1920. I said, "Boys, it is 1 o'clock." "We know it" "What is the matter with being on the job?" "Oh, hell, there is lots of time." "I said, "Yes, but the Shipping Board don't like that." I said, "The Shipping Board is only paying for the time you work, you know. I am going to take your time."

I took some time, and we had a nice time, I'll tell you, for about a week—the *West Alsack* and the Atlantic Basin Iron Works and myself. It seemed that the men were under the impression that they could come on the job when they pleased in the morning, take as

much time as they wanted at noon for lunch, and get back on the job and leave when they liked it.

The CHAIRMAN. Did they tell you that, some of them?

Mr. PIGOT. That is the way they acted, and that is the way they worked. That is the way they came aboard. I was keeping time, and they were coming aboard the vessel at all hours in the morning, from 8 o'clock on, and expected full time from half past 7. They were knocking off before 12 o'clock, and I forget about whether they took a half hour or an hour for lunch, but anyhow they were knocking off a quarter of an hour ahead of time, and perhaps coming back anywhere from a quarter of an hour to half an hour after.

That went along until I put my foot down, and I was threatened several times with being thrown overboard and having my face beaten in, and being beaten up, and all that sort of thing.

The CHAIRMAN. This was some of the men that you were watching over?

Mr. PIGOT. Yes. I took the matter up with Mr. Figary—I don't know how to spell it, just Figary—the chief timekeeper for the United States Shipping Board at the Atlantic Basin Iron Works office. He promised to back me up, but I found that his end of it was not being taken care of. Men were claiming to go over to the shop, and coming back and saying that they could not find any time-keepers over there.

Well, on investigation afterwards I found out that things were not being handled right on that end of the line, and the carelessness there in the conduct of the Figary office was such that it prompted the Atlantic Basin Iron Works' men to do as they liked. I was a novelty to them, and they could not understand it. The new system was resisted, etc., and all that; but I put the new system into force, which brought the Atlantic Basin Iron Works into disfavor with the New York office, and of course, myself into disfavor with everybody in general.

The CHAIRMAN. Well, that was what they threatened to do to you, throw you overboard?

Mr. PIGOT. Oh, threatened, yes; and a couple of them stood there one day and did all they could to prompt me into——

The CHAIRMAN. Did you bring those to the attention of the officials of the Atlantic Basin people?

Mr. PIGOT. Yes, sir; they eventually got there.

The CHAIRMAN. Eventually?

Mr. PIGOT. Eventually got before the——

The CHAIRMAN. Well, do you mean to say that if one of their men threatened to throw you overboard because you were checking up the time, that you did not go immediately to the Atlantic Basin officials and tell them about it?

Mr. PIGOT. My dear sir, I would have been called up on the carpet over at 11 Broadway, and I would have been——

The CHAIRMAN. Never mind. I am asking you, did you?

Mr. PIGOT. I would not be allowed to. It would have been unofficial for me to do so. I would have to tell so and so to tell so and so to tell them.

The CHAIRMAN. Is that so? Then that part of the system was not working very well, was it?

Mr. PIGOT. Not very well; not for immediate action; no.

The CHAIRMAN. Do you have anything to do with that part of the system? -

Mr. PIGOT. Me?

The CHAIRMAN. Yes.

Mr. PIGOT. The jump-jump?

The CHAIRMAN. Yes.

Mr. PIGOT. If I wanted to get anything to anybody else—perhaps he was four or five places up—I would have to tell every other fellow along the line to get to them.

The CHAIRMAN. Therefore, if you were threatened at a yard, the system that was in effect there was such that you could not report that threat being made by a workman to the officials or the owners of the yard?

Mr. PIGOT. No; I would have to tell somebody else ahead of me; some superior.

The CHAIRMAN. Who would you have to tell?

Mr. PIGOT. I would tell the chief checker.

The CHAIRMAN. Well, did they throw you overboard?

Mr. PIGOT. No; not yet.

The CHAIRMAN. Did they ever try to throw you overboard?

Mr. PIGOT. Oh, well, that thing got to be so common—

The CHAIRMAN. No, I am not asking what got to be so common, Mr. Pigot. I asked you the simple question, did they ever try?

Mr. PIGOT. The nearest they ever got to it was to breast up against me.

The CHAIRMAN. Oh, just brush by you?

Mr. PIGOT. Try to rush me.

The CHAIRMAN. Try to rush you?

Mr. PIGOT. Yes.

The CHAIRMAN. The workmen did that?

Mr. PIGOT. The workmen did that; yes.

The CHAIRMAN. When would they do that, during the working hours or—

Mr. PIGOT. Oh, these were individual instances.

The CHAIRMAN. I see. Do you know of your own knowledge any instances of any Shipping Board officials being offered bribes by anybody in these repair yards?

Mr. PIGOT. No.

The CHAIRMAN. You do not know anything about that?

Mr. PIGOT. No.

The CHAIRMAN. What are you doing now, Mr. Pigot?

Mr. PIGOT. Right here; nothing to do.

The CHAIRMAN. I mean, what have you been doing since you left the Shipping Board?

Mr. PIGOT. Oh, well, I have looked up some business for the future, for next spring, that I may get into. I helped out in the holiday rush on art in some concern that sells art; doing little things that don't amount to anything. I went farming for awhile, on my place on Long Island.

The CHAIRMAN. When you were on these ships with Mr. Stallard, would you be superior to him or was he superior to you?

Mr. PIGOT. No; we were equal.

The CHAIRMAN. You were equal. And would there be inspectors there from the operators of the ship, looking at this work, too?

Mr. PIGOT. Occasionally they would come on. They would not be there permanently.

The CHAIRMAN. Would there be inspectors there from the bureau of survey?

Mr. PIGOT. Sometimes there were and sometimes not; not permanently, occasionally.

The CHAIRMAN. Would there be any inspectors there from the division of construction and repair of the Shipping Board?

Mr. PIGOT. They might come on and might not.

The CHAIRMAN. Well, occasionally you would see some others there?

Mr. PIGOT. Oh, yes; occasionally see somebody.

The CHAIRMAN. Was it any part of your duty to report to anybody else, except your chief timekeeper or to Mr. Lafferty?

Mr. PIGOT. You would get in bad if you did, for you always reported to your next superior officer.

The CHAIRMAN. I did not ask you anything about getting in bad; I simply asked you if it was any part of your duty to report to anybody else other than your chief timekeeper and Mr. Lafferty?

Mr. PIGOT. No, sir.

The CHAIRMAN. It was not necessary. Can you give us any estimate, Mr. Pigot, as to how many different ships you officiated on as checker?

Mr. PIGOT. In the whole time I was identified with the Shipping Board?

The CHAIRMAN. Yes, sir.

Mr. PIGOT. I might guess too high and I might guess too low, so I had better not say.

The CHAIRMAN. It would be a guess, would it?

Mr. PIGOT. Yes.

The CHAIRMAN. Were you there when they indulged in the practice of submitting every month a list of rates?

Mr. PIGOT. That would be the auditing; I would have nothing to do with that.

The CHAIRMAN. Well, did you see the list; would you see the list?

Mr. PIGOT. No.

The CHAIRMAN. How could you tell whether a charge for a certain class of work was excessive or not, if you did not know the rate that had been submitted for that work?

Mr. PIGOT. I could not tell.

The CHAIRMAN. You could not tell. Now, do you know of any undue delays in repairing ships—where they had been tied up for a length of time longer than sufficient to thoroughly make the repairs?

Mr. PIGOT. Why, I can say in a general way there was a lot of that, but there was always a plausible excuse or reason found for it. It was covered in some way or another.

The CHAIRMAN. So there was really a good reason for it, and the Shipping Board did not suffer unduly?

Mr. PIGOT. Some people would think it was a good reason and some would not.

The CHAIRMAN. Well, did you know the reason?

Mr. PIGOT. Sometimes, and sometimes I did not.

The CHAIRMAN. Well, was it any part of your duty to know the reason?

Mr. PIGOT. No, sir, it was not. It was outside my province.

The CHAIRMAN. Well now, Mr. Pigot, after the repairs on a ship were completed and you finished your checking work, and the ship remained at the same berth or at the same dock or at the same place, did you have any further supervision over it?

Mr. PIGOT. If the job was complete we left it.

The CHAIRMAN. Did you have any further supervision over it?

Mr. PIGOT. No, sir.

The CHAIRMAN. It was not any part of your duty to report when the ship actually left the yard?

Mr. PIGOT. There was a man to take care of that, that was his business.

The CHAIRMAN. You, I say; it was not any part of your duty?

Mr. PIGOT. No, sir.

The CHAIRMAN. Now, do you recall any instance where repairs were made, checked by you as complete, and then immediately other repairs being made which—

Mr. PIGOT. Oh, yes.

The CHAIRMAN. Wait until I ask the question, please.

Mr. PIGOT. I know what it is; yes.

The CHAIRMAN (continuing). Which involved doing over again repairs already made?

Mr. PIGOT. Yes.

The CHAIRMAN. You remember instances of that?

Mr. PIGOT. Yes.

The CHAIRMAN. Can you give us, from your memory, any specific case, or the name of any specific ship?

Mr. PIGOT. Well, it was a kind of common thing, it was so general. I will give you an instance of the *Lake Eagle*, I think was the name. She laid at the Ramberg Dock. If my memory serves me right, there were no repairs for five weeks. I was loaned to a man named Curry, chief checker, from the Crane yard, to cover the Ramberg shop, and while covering the job I got word from Mr. Curry to keep my eye on the *Lake Eagle* for extras. That had been a contract job. After a couple or a few days, my attention was called,—I let everybody aboard the vessel know that I was coming aboard to look after extras only—my attention was called to the condition of the electric plant. I immediately got in touch with this, that, and somebody else, who finally got somebody waked up on the job, and they came down and pulled it out. They took it up to the shop and reinstalled it, and it was supposed to be all right. I knew all the officers and crew of the ship. I found out afterwards that when she went to sea the ship practically fell apart; the dynamo gave out, the engine gave out, the boilers gave out—

The CHAIRMAN. Where did you get all this information, officially?

Mr. PIGOT. In a semi way officially, yes.

The CHAIRMAN. Well, who from?

Mr. PIGOT. Why, I think it was the second mate of the *Lake Eagle*; I met him somewhere down around the port here.

The CHAIRMAN. When did this happen?

Mr. PIGOT. I have not the data with me.

The CHAIRMAN. Well, about when?

Mr. PIGOT. I think that was some time in 1919.

The CHAIRMAN. What time of the year?

Mr. PIGOT. Either late spring or early summer, something like that. I know anyhow that I told the auditors on that job that I would not pay the Rambergs a cent.

The CHAIRMAN. Well, did she come back to some yard where you were stationed for further repairs?

Mr. PIGOT. Why, the second mate told me, I met him and said, "What are you doing—"

The CHAIRMAN. No, I mean did you go aboard the *Lake Eagle* subsequently, when she was being repaired?

Mr. PIGOT. No, not afterwards, no.

The CHAIRMAN. All you know officially is what somebody told you?

Mr. PIGOT. The second mate reported to me.

The CHAIRMAN. That is all you know about it anyhow, is it not?

Mr. PIGOT. Except the dynamo, that I know about.

The CHAIRMAN. Well now, did you have a requisition for the repairs to that dynamo?

Mr. PIGOT. It was part of the contract job.

The CHAIRMAN. Oh, I see.

Mr. PIGOT. And I insisted that it be done right, the contract had not been fulfilled. They sent in a bill for it, and I threw it out.

The CHAIRMAN. You were aboard her, watching for extra work?

Mr. PIGOT. Extra work.

The CHAIRMAN. And you discovered the condition of the dynamo?

Mr. PIGOT. Did I? No, not I. I was told about it.

The CHAIRMAN. Who told you about it?

Mr. PIGOT. The chief engineer, or somebody; some of the officers.

The CHAIRMAN. Of the ship?

Mr. PIGOT. Yes, sir.

The CHAIRMAN. And then you got in touch with somebody, and the dynamo was repaired?

Mr. PIGOT. Yes, sir.

The CHAIRMAN. And later you heard that she had trouble at sea?

Mr. PIGOT. Yes, sir.

The CHAIRMAN. Any questions, Mr. Foster?

Mr. FOSTER. How old a man are you?

Mr. PIGOT. Fifty-eight.

Mr. FOSTER. How long were you with the Shipping Board?

Mr. PIGOT. Since last January. Directly with the Shipping Board?

Mr. FOSTER. Directly or indirectly, how long have you been associated with the Shipping Board?

Mr. PIGOT. January, 1919, to July 1, 1920.

Mr. FOSTER. About a year and a half?

Mr. PIGOT. Yes, sir.

Mr. FOSTER. What other experience have you had in the shipping business?

Mr. PIGOT. Well, I was with the Foundation people for six months, while they were building ships over there at Kearney.

Mr. FOSTER. That is two years. What else—what other kind?

Mr. PIGOT. I have visited all the shipbuilding yards that I could—Newport News, and around the port of New York, and so forth.

Mr. FOSTER. In what capacity have you visited them?

Mr. PIGOT. Sir?

Mr. FOSTER. You have told us of two years you were associated with the shipbuilding proposition. Is that all of your life you have been associated with the shipbuilding business?

Mr. PIGOT. The shipbuilding business?

Mr. FOSTER. Yes.

Mr. PIGOT. Why, I have seen a lot of it done, without being identified with it.

Mr. FOSTER. I did not ask you how much of it you had seen. How long have you been associated in the business?

Mr. PIGOT. I have told you.

Mr. FOSTER. Is that all of it, two years?

Mr. PIGOT. That is all; yes.

Mr. FOSTER. That is all I asked you, then. Couldn't you answer that was all?

Mr. PIGOT. That is all.

Mr. FOSTER. What is your regular business?

Mr. PIGOT. I tell you, art business.

Mr. FOSTER. What art?

Mr. PIGOT. Works of art.

Mr. FOSTER. What kind of art?

Mr. PIGOT. Paintings principally.

Mr. FOSTER. That is what I was trying to get at. Are you a painter?

Mr. PIGOT. No.

Mr. FOSTER. What is the nature of your association with it?

Mr. PIGOT. How is that?

Mr. FOSTER. What do you do with it? What is your association with the art of painting?

Mr. PIGOT. Oh, buy and sell and collect—a dealer.

Mr. FOSTER. You sell pictures?

Mr. PIGOT. Yes, sir.

Mr. FOSTER. How long have you been at that?

Mr. PIGOT. Oh, about 20 years, I should say.

Mr. FOSTER. That is your real business?

Mr. PIGOT. That is what I call my real business. I do other things also.

Mr. FOSTER. You have been in the shipping business about two years, all told?

Mr. PIGOT. Yes.

Mr. FOSTER. From your observation during those two years, if the responsibility were on you to suggest what changes ought to be made for the good of the Government, to protect the Government interests in that shipping business, what would you say? What changes should be made now, as you observed them; or are you competent to answer that?

Mr. PIGOT. Yes.

Mr. FOSTER. Well, let us hear it, then.

Mr. PIGOT. Employ competent men.

Mr. FOSTER. Were they competent when you worked for them?

Mr. PIGOT. How?

Mr. FOSTER. Were they competent when you were working for them?

Mr. PIGOT. Some were and some were not.

Mr. FOSTER. Well, let us get down to that. Employ competent men; that is good in any business, is it not? Wherein was the incompetency in the organization as you saw it?

Mr. PIGOT. All through it.

Mr. FOSTER. Including you?

Mr. PIGOT. How?

Mr. FOSTER. Including you? "All through it" does not give it.

Mr. PIGOT. I think my record is all right.

Mr. FOSTER. Then it was not all through, was it? Can you not put your finger on something to show us where the incompetency was, instead of saying "All through it"?

Mr. PIGOT. I might be sued for libel; I might have to prove it.

Mr. FOSTER. Is that the reason you assign for not wanting to answer that question?

Mr. PIGOT. I think I had better put it that way; yes.

Mr. FOSTER. Well, I am not asking you what you think you had better do. Is that the way you put it?

Mr. PIGOT. Yes; all right.

Mr. FOSTER. That is all, then.

The CHAIRMAN. Mr. Steele.

Mr. STEELE. If you were in no danger of any suit for slander, you are not printing this yourself, but as a witness in court, would you still decline to answer that question as to where the incompetency exists?

Mr. PIGOT. I might talk to you privately outside.

Mr. STEELE. No; we want it publicly. The public is entitled to know it.

Mr. PIGOT. I would take the same protection.

Mr. STEELE. You make a general charge now against the entire corps of the Shipping Board here, engaged in a public work. Now, making a general charge of that kind ought to be substantiated by facts, not your own conclusions. Let us know where it is and what it consists of. Now, does incompetency exist in the Shipping Board itself? Do you know anything of that?

Mr. PIGOT. Well, we had sometimes time and material checkers that were not what I would call competent.

Mr. STEELE. Well, do you confine it to the time and material checkers?

Mr. PIGOT. As to the source of fraud, as to the headquarters.

Mr. STEELE. Do you confine it to time and material checkers?

Mr. PIGOT. Oh, no.

Mr. STEELE. Well, now, who are the people who are incompetent, and where, if any, was the fraud?

Mr. PIGOT. Why, the engineering department, some of the men were not worth a rap and neglected their business.

Mr. STEELE. The engineering department?

Mr. PIGOT. Yes.

Mr. STEELE. Now, is there anything else that you have in mind of a specific character, outside of the engineering department?

Mr. PIGOT. I wish you had asked Mr. Lafferty about the auditing department when he was on the stand. I can not answer for that.

Mr. STEELE. I am asking you what you know yourself, Mr. Pigot.

Mr. PIGOT. Well, there seemed to be a conflict of authority all through.

Mr. STEELE. Yes; but what I want to know is, where the incompetency exists now. Is there any incompetency that you have any personal knowledge of in the whole Shipping Board official list, outside of the engineering department?

Mr. PIGOT. Within my range of personal knowledge, you want it?

Mr. STEELE. Yes, sir. I do not care anything about hearsay; that does not cut any figure before this committee. I want to get your personal knowledge.

Mr. PIGOT. Only from general talk of what this, that, and the other fellow was doing.

Mr. STEELE. Well, then, have you any personal knowledge of incompetency at all?

Mr. PIGOT. In what respect?

Mr. STEELE. In respect to the incompetency of the official outfit of the Shipping Board.

Mr. PIGOT. The very fact that we would not get our requisitions until the job was started, or after the job was finished, was evidence enough to me to know that there was some incompetency behind all that delay.

Mr. STEELE. Well, now, have you any knowledge of incompetency outside of your failure to receive requisitions?

Mr. PIGOT. Why, yes.

Mr. STEELE. Well, just tell us what it was, then.

Mr. PIGOT. The time and material men did not stick to their ships and things like that, and accepted the other fellow's report, the opponent's report.

Mr. STEELE. Well, now, where was that; just give us cases of that kind? Who did it, and when was it done?

Mr. PIGOT. It was so general I never made a special note of it.

Mr. STEELE. Well, it was so general. Can you not be specific? If it was general there must have been a number of cases of that kind that you could recollect.

Mr. PIGOT. Those things you do not charge your mind with, every day, you know.

Mr. STEELE. Can you mention a single case now?

Mr. PIGOT. I would not make a specific charge.

Mr. STEELE. You would not make a specific charge?

Mr. PIGOT. No.

Mr. STEELE. Well, then, you have no specific information to give this committee on the subject of incompetency, outside of failure to receive requisitions?

Mr. PIGOT. I would not want to commit myself on that.

Mr. STEELE. Well, you have made a very sweeping charge, Mr. Pigot, and I want to know what there is back of it; what you personally know, as a sort of groundwork of that charge, as the basis for it.

Mr. PIGOT. My knowledge, personal knowledge, of specific matters with reference to the matter of requisitions, and what I know of how time and material was taken by other employees of the Shipping Board; some would neglect their work, and then trust to the operators' or the repairman's timekeeper to give them a report on it, and take his time instead of their own.

Mr. STEELE. Have you knowledge of anything outside of what you have just described here?

Mr. PIGOT. Neglect to take care of machinery that was the property of the Shipping Board, when removed from a ship. There was a large ventilator; I think it was laid down in the Crane yard; I do not know how many thousands of dollars that was worth, and left out in the weather there for the longest while.

Mr. STEELE. Whose duty was it to look after that?

Mr. PIGOT. I don't know. It was none of my business.

Mr. STEELE. You don't know whose duty it was to look after it?

Mr. PIGOT. Sir?

Mr. STEELE. You could not charge any particular officer, then, with that neglect of duty?

Mr. PIGOT. No. I might say it was Jones, and it might have been Robinson. And in the South Sixth Street storage yard there was material laying out under the weather there that ought to have been under cover—deteriorated day after day. The same thing down on the farm, as we called it, at the Erie Basin.

Mr. STEELE. Where was that?

Mr. PIGOT. On the farm at Erie Basin. That is a large section, called the farm. It is a local name.

Mr. STEELE. Was this Shipping Board property?

Mr. PIGOT. Yes. Some of it, and some was Navy property.

Mr. STEELE. Some was what?

Mr. PIGOT. Some of it was Navy property, on the farm stuff.

Mr. STEELE. Some was Navy property?

Mr. PIGOT. Yes.

Mr. STEELE. Well, what portion of it was Navy property and what belonged to the Shipping Board?

Mr. PIGOT. Well, you know the Navy and the Shipping Board for awhile worked together.

Mr. STEELE. Well, can you tell us—

Mr. PIGOT. And some was taken off and charged against the Navy, and some was taken off and charged against the Shipping Board.

Mr. STEELE. Was this neglect, then, Navy neglect or Shipping Board neglect?

Mr. PIGOT. I might say mutual. I don't know. Perhaps—they turned all that stuff over finally, eventually; that is right, it was all Shipping Board; yes. They turned that stuff over afterwards, eventually, to the Shipping Board. The Navy turned over everything to the Shipping Board.

Mr. STEELE. Outside of what you have enumerated, what personal knowledge have you of incompetency or neglect?

Mr. PIGOT. It is hard to satisfy you, I guess. Have I covered the time and material men's neglect?

Mr. STEELE. Yes; you have mentioned that several times.

Mr. PIGOT. All right. Well, that is the source; that is where the big frauds occur. Neglect to get the junk accumulated in the different yards, and so forth, rescued, that should have been credited to the Shipping Board and was not.

Mr. STEELE. Just where was the neglect to get junk, in what yard, and of what did your junk consist?

Mr. PIGOT. Well, that is pretty general.

Mr. STEELE. That is the trouble, everything is general. I am trying to get it specific.

Mr. PIGOT. I can tell you more about that at the Crane yard than anywhere else. There was no junk there.

Mr. STEELE. At the Crane yard, what was the situation with reference to junk?

Mr. PIGOT. Sometimes it was gotten and sometimes it was not gotten; sometimes it was thrown aside and sometimes it laid there and dissipated.

Mr. STEELE. What junk was not gotten, that belonged to the Shipping Board, and what was its value?

Mr. PIGOT. Oh, pipe; just junk, old pipe and cuttings out, and machinery, and so forth.

Mr. STEELE. Well, what was its value?

Mr. PIGOT. Oh, I don't know.

Mr. STEELE. You do not know what its value was?

Mr. PIGOT. No.

Mr. STEELE. You do not know what loss to the Shipping Board followed that?

Mr. PIGOT. No.

Mr. STEELE. You would not say that?

Mr. PIGOT. No.

Mr. STEELE. Do you know whether it was finally accounted for in any way?

Mr. PIGOT. No, I did not follow it up.

Mr. STEELE. So you do not know?

Mr. PIGOT. No.

Mr. STEELE. Now, with reference to these other cases, do you know whether it was accounted for in any way?

Mr. PIGOT. What other cases?

Mr. STEELE. Other yards, where you say junk was not accounted for.

Mr. PIGOT. They generally took good care of it at the Morse yard. I tried to have something done in the matter of the Rampert job, but nothing was ever done about it.

Mr. STEELE. You looked after it there, did you?

Mr. PIGOT. No, I could not get it.

Mr. STEELE. Was there a loss to the Shipping Board there?

Mr. PIGOT. They claimed that——

Mr. STEELE. I am not asking you about any claim. What do you know?

Mr. PIGOT. That is what I am going to tell you. They claimed that they were entitled to that junk, because it was a contract job.

Mr. STEELE. Because it was a contract job?

Mr. PIGOT. Yes, sir.

Mr. STEELE. Well, was that a correct claim?

Mr. PIGOT. They had a contract job.

Mr. STEELE. They had a contract job. Well, did the junk belong to them under the contract, or did it not?

Mr. PIGOT. I do not know. I did not see the contract.

Mr. STEELE. Then you have no knowledge of that, as to the delivery of that claim?

Mr. PIGOT. No.

Mr. STEELE. You have also stated that there were excessive charges here for labor and material. That is the basis of it all, you say?

Mr. PIGOT. Yes.

Mr. STEELE. From your personal knowledge, did the checkers fail to reach the excessive charges? When the excessive charges were made, did the checkers fail to check it up?

Mr. PIGOT. I do not get that question straight, Mr. Steele.

Mr. STEELE. Well now, you said that there were excessive charges for labor and material, and that they would transfer the men from a lump sum job to a time job.

Mr. PIGOT. Oh, yes; that was practiced down there at the Crane yard.

Mr. STEELE. Yes. Well now, were there any cases of that kind, that you know of, where the checkers failed to do their duty and check up work of that kind?

Mr. PIGOT. Do you mean other checkers?

Mr. STEELE. I am talking about your personal knowledge. I do not care whether it was yourself or some other checker.

Mr. PIGOT. I did not fail. That is why I got in trouble. The other fellows got along smoothly.

Mr. STEELE. The other fellows got along smoothly. Now, what do you know, though, what is your personal knowledge? I want to know whether the Shipping Board suffered any loss, whether the Government suffered any loss by reason of conduct of that kind?

Mr. PIGOT. Why, yes, of course it did.

Mr. STEELE. Well now, where, and what was the amount?

Mr. PIGOT. I could not give you the amount. I would not know anything about that.

Mr. STEELE. Well, where was it?

Mr. PIGOT. On different ships.

Mr. STEELE. On different ships. Well now, name us the ship and give us the amount, and tell us how it happened.

Mr. PIGOT. I could not give you the amount. You are asking for something that I would not know anything about, Mr. Steele.

Mr. STEELE. Then you have no personal knowledge of it at all?

Mr. PIGOT. No personal knowledge.

Mr. STEELE. No. That is all.

The CHAIRMAN. Mr. Connally?

Mr. CONNALLY. Just a short question. Mr. Pigot, you said that on these lump sum contracts you had nothing to do with checking those up, is that right?

Mr. PIGOT. Lump sum, no; you will have to put that differently. A lump sum was liable to be followed by an extra.

Mr. CONNALLY. Let us take a case where there were no extras. If you did not check it up and somebody else did not check it, how would the Shipping Board know that the actual work that there was to be done on the lump-sum contract had been done? Suppose there were a dynamo to be repaired?

Mr. PIGOT. That was up to the engineering department.

Mr. CONNALLY. Well, did they have inspections?

Mr. PIGOT. Sometimes they did; sometimes they did not.

Mr. CONNALLY. Well, were they supposed to have an inspection?

Mr. PIGOT. Yes.

Mr. CONNALLY. What?

Mr. PIGOT. Yes; supposed to.

Mr. CONNALLY. So there was a system of supervision and inspection even of lump-sum contracts?

Mr. PIGOT. Yes.

Mr. CONNALLY. You folks did not do it, but another branch of the Shipping Board did?

Mr. PIGOT. You are talking about contracts, are you not? You know, as we understand the lump-sum, time-and-material and commercial-rate contracts are a different thing.

Mr. CONNALLY. We will take a lump sum.

Mr. PIGOT. Lump sum may fall back on a time and material.

Mr. CONNALLY. I know it may, but suppose it does not; I am talking about a case where there was a lump sum. Did nobody inspect that to see that the work that was supposed to be done was really done?

Mr. PIGOT. The engineering department ought to; they are supposed to.

Mr. CONNALLY. They are supposed to do it?

Mr. PIGOT. They are supposed to.

Mr. CONNALLY. If you were busy with your job you would not know whether they inspected it or not, would you?

• Mr. PIGOT. Oh, no; it would not be any of my business.

Mr. CONNALLY. You would not know anything about whether they actually inspected it or not.

Mr. PIGOT. We might know, and yet not want to say.

Mr. CONNALLY. If you were busy on your own ship, if it were a time-and-material job, you would not want to run off on some other ship to see whether the engineering department were inspecting that or not, would you?

Mr. PIGOT. Oh, no; I would not leave my own ship.

Mr. CONNALLY. Certainly not. If you were inspecting material and work, what time did the workmen go to work, what time were they supposed to go to work in the morning?

Mr. PIGOT. According to the yard you were in, what time was used.

Mr. CONNALLY. Well, different ones?

Mr. PIGOT. Some yards 7 o'clock, some 7.30.

Mr. CONNALLY. What time did you get there?

Mr. PIGOT. I usually got there a little before.

Mr. CONNALLY. A little before, so as to be there and check them in as they came in?

Mr. PIGOT. Yes.

Mr. CONNALLY. Did you make a daily check of each man as he came in?

Mr. PIGOT. Yes.

Mr. CONNALLY. And how long he worked?

Mr. PIGOT. Sometimes the cars would be late, and if I got stuck—you know we had a tough winter last winter, I was held up a number of times. If I was not on the vessel before anybody went aboard, I went through her and picked up everybody on the ship, then held the job down for the rest of the day.

Mr. CONNALLY. It was no harder on you than it was on the fellows that were working, was it?

Mr. PIGOT. Oh, no; not a bit.

Mr. CONNALLY. You were supposed to get there just as soon as they did, were you not?

Mr. PIGOT. That is right.

Mr. CONNALLY. How about the material, did you check up the material that went in?

Mr. PIGOT. Why, one man usually took care of material, the other took care of time, but we worked mutually.

Mr. CONNALLY. I understand.

Mr. PIGOT. If one had to leave, the other fellow would cover his work.

Mr. CONNALLY. When this material would be brought on the ship, so many articles of one kind, you would look it over to see if that number of articles were there, would you?

Mr. PIGOT. Yes, sir.

Mr. CONNALLY. Would you go and follow those articles and see that they were placed in the ship?

Mr. PIGOT. No, no.

Mr. CONNALLY. How do you know they were ever placed in a ship, then?

Mr. PIGOT. They came aboard the ship, that is all we were supposed to know.

Mr. CONNALLY. That is all you were supposed to do?

Mr. PIGOT. Yes, sir.

Mr. CONNALLY. Whether they put them where they ought to be, or just let them laying around, was another matter.

Mr. PIGOT. That was somebody's else business.

Mr. CONNALLY. And did you institute any improvements in that system?

Mr. PIGOT. I left in July.

Mr. CONNALLY. But you had 18 months there. During that 18 months did you make any improvements in that system, to see that the material that was brought on the ship was actually put where it was supposed to be?

Mr. PIGOT. I had several rows on that order, but I cannot remember what they were.

Mr. CONNALLY. What did you try to do?

Mr. PIGOT. I tried to see that some things were done.

Mr. CONNALLY. I am talking about that particular matter. I am not talking about some things. I am talking about that particular matter.

Mr. PIGOT. That would not be within my province.

Mr. CONNALLY. What were you on there for, then, just to stand around?

Mr. PIGOT. Just to get the time of the men, and the amount of material that came aboard the ship, that came over the rail.

Mr. CONNALLY. And it was immaterial what became of the material so long as it got on the ship?

Mr. PIGOT. On the ship.

Mr. CONNALLY. Did you suggest to any of your superiors for a correction of that defect?

Mr. PIGOT. Oh, yes.

Mr. CONNALLY. Who?

Mr. PIGOT. I wrote Mr. Laura once, some flagrant thing that aroused my indignation, and I told him there should be an inspector on every ship under work by the United States Shipping Board contractors; that things were going on that were not right.

Mr. CONNALLY. I am talking about this particular matter now, I am not talking about the wholesale matters.

Mr. PIGOT. This was a particular matter.

Mr. CONNALLY. Was that about putting material somewhere?

Mr. PIGOT. Yes, the work that you are driving at now, the very thing.

Mr. CONNALLY. I am having difficulty getting to it, I admit. Go ahead.

Mr. PIGOT. The same thing.

Mr. CONNALLY. What did he say? Did he reply to it?

Mr. PIGOT. Why—

Mr. CONNALLY. Did he make any reply to your suggestion?

Mr. PIGOT. Oh, my, no. I read him a memorandum about it.

Mr. CONNALLY. You made some statement here about it was time for the Crane yard to quit running the Shipping Board, did you not?

Mr. PIGOT. Yes; running the local Shipping Board office.

Mr. CONNALLY. Who was in charge of that local Shipping Board office at the time the Crane yard was running it?

Mr. PIGOT. Mr. McNabb and Mr. Lafferty.

Mr. CONNALLY. Where are they now?

Mr. PIGOT. Mr. Lafferty is here, and Mr. McNabb, I do not know where he is.

Mr. CONNALLY. Mr. Lafferty was in direct charge of the Crane—

Mr. PIGOT (interrupting). He was in the auditing, he had charge of the auditing. He had no charge of the other matter.

Mr. CONNALLY. And was the Crane Company running the audit?

Mr. PIGOT. Mr. Lafferty—now listen.

Mr. CONNALLY. I am listening.

Mr. PIGOT. The time and material, Mr. McNabb had. Mr. Lafferty's office worked after Mr. McNabb's office.

Mr. CONNALLY. All right.

Mr. PIGOT. It was the McNabb end that I was complaining about.

Mr. CONNALLY. You did not stipulate that. You said the Crane yard was running the Shipping Board.

Mr. PIGOT. The local Shipping Board office.

Mr. CONNALLY. Well, Mr. Lafferty was in that office, was he not?

Mr. PIGOT. He happened to be; his office was separated from ours, but he happened to be in our office at the time I went in there and I said it generally to him and Mr. McNabb and whoever else was there.

Mr. CONNALLY. And what did they say to it, did they agree that the Crane yard was running them?

Mr. PIGOT. I do not know. The matter, whatever it was, was fixed up and got on again.

Mr. CONNALLY. Got out again?

Mr. PIGOT. Yes.

Mr. CONNALLY. Of course, your discharge last July has nothing to do with your criticism of the board, has it?

Mr. PIGOT. Not at all.

Mr. CONNALLY. Not at all?

Mr. PIGOT. No, no. I can live without the Shipping Board. I lived before it and I live now. It cost me more money to live while I was working with the Shipping Board than the Shipping Board paid me, if that is what you want to get at.

Mr. CONNALLY. Oh, not at all. But what I mean is, have your views changed any since you left the Shipping Board in reference to the policy?

Mr. PIGOT. No; I have tamed a lot since I left there.

Mr. CONNALLY. Tamed a lot; not as wild as you were?

Mr. PIGOT. You know, time softens things somewhat.

Mr. CONNALLY. I am glad I did not see you when you were wild. You say you were threatened a great deal?

Mr. PIGOT. That was a common thing.

Mr. CONNALLY. Oh, I know; but they never did carry out any of these threats, did they?

Mr. PIGOT. Well——

Mr. CONNALLY. They never threw you overboard?

Mr. PIGOT. No.

Mr. CONNALLY. They never beat your face in?

Mr. PIGOT. The Empire gang beat me up, though; that is, the Luckenbach subsidiary. You want subsidiaries, don't you? That Luckenbach subsidiary, those fellows beat me up; not the concern itself, but the boys. They had been putting things over there, and finally McLaughlin and I threw out \$2,000 on their labor charge; anyhow I know that. But they must have trailed me; at least, Curry says so, anyhow; Curry says I was beaten up by them.

Mr. CONNALLY. We do not care anything about Mr. Curry. We want to know what you know. This threatening did not deter you in any way from going ahead doing your duty, did it?

Mr. PIGOT. Not at all; didn't deter me one bit.

Mr. CONNALLY. Notwithstanding that, they just kept on threatening you?

Mr. PIGOT. Oh, yes; sure.

Mr. CONNALLY. Knowing that it would do no good, they kept on threatening you?

Mr. PIGOT. Well, a new fellow would try it each time.

Mr. CONNALLY. A new man. And what did they do, beat you up?

Mr. PIGOT. I was beaten up on Fifth Avenue, Brooklyn.

Mr. CONNALLY. What time of night?

Mr. PIGOT. Just at dusk, a little before dusk, daylight.

Mr. CONNALLY. Outside of the yard, was it not?

Mr. PIGOT. That was outside of the yard.

Mr. CONNALLY. Were you injured, did you go to the hospital or anything like that?

Mr. PIGOT. I was rather nicely patched up for a few days; I guess you can see the marks there (on left side of face) yet.

Mr. CONNALLY. Did the row come up about a Shipping Board matter?

Mr. PIGOT. No, these fellows tackled me without a word.

Mr. CONNALLY. Did you recognize them?

Mr. PIGOT. I did not have time. I wish I could. Gee, I wish I could; I wish I knew the fellow that beat me up.

Mr. CONNALLY. How do you know, then, that they were Luckenbach people?

Mr. PIGOT. Curry said they were Empire people that beat me up.

Mr. CONNALLY. Was Curry with you?

Mr. PIGOT. No, that was a deduction of his, or something, I guess. He was my superior officer, though.

Mr. CONNALLY. And you took what he said, of course?

Mr. PIGOT. Yes. Well, he put it in writing and sent it to the New York office. He tried to frame me up, you know, so as to get me dropped. I understand that he tried to do the same thing on somebody else, to give his brother a better job with more money in it.

Mr. CONNALLY. You say that over on this Staten Island job, when they would quarrel with you for checking them up, and call you names, you could not make any report about it until you communicated with higher authority?

Mr. PIGOT. Yes, sir.

Mr. CONNALLY. If they called you a liar you would have to take it up with higher authority before you could say, "you're another"?

Mr. PIGOT. I had to go to Curry, and then it would go to somebody else, and so on.

Mr. CONNALLY. I believe that is all.

The CHAIRMAN. The committee will take a recess until 2:30. That is all, Mr. Pigot.

(Thereupon at 1 o'clock p. m. a recess was taken until 2:30 o'clock p. m.)

AFTER RECESS.

The committee resumed at 2:30 o'clock p. m. pursuant to recess.

The CHAIRMAN. The committee will come to order. Captain Parker, will you please take the witness chair?

Mr. PARKER. Yes, sir.

TESTIMONY OF MR. OSCAR O. W. PARKER—Resumed.

The CHAIRMAN. Capt. Parker, you have been sworn before?

Mr. PARKER. Yes, sir.

The CHAIRMAN. You were superintendent of the marine department of the northern district of the Shipping Board?

Mr. PARKER. Yes, sir.

The CHAIRMAN. You were before our committee last November?

Mr. PARKER. Yes, sir.

The CHAIRMAN. Just what is the nature of your jurisdiction at the present time? Has it been enlarged since you were before us?

Mr. PARKER. I hand you some papers to show the situation.

The CHAIRMAN. This is a memorandum to Mr. G. W. Sterling, district director, and the subject is marine department.

Mr. PARKER. Yes, sir.

The CHAIRMAN. By whom was this prepared, Captain?

Mr. PARKER. By myself, at the request of Mr. Sterling.

The CHAIRMAN. Was this prepared with a view to having some reorganization of the department?

Mr. PARKER. No, sir; this is the situation under existing conditions.

The CHAIRMAN. This is a statement of the marine department of the United States Shipping Board?

Mr. PARKER. Yes, sir.

The CHAIRMAN. It consists "of the following sections and personnel," all of which come under the general supervision of the superintendent of the marine department?

Mr. PARKER. Yes, sir.

The CHAIRMAN. You have jurisdiction over the port captain and his office?

Mr. PARKER. Yes, sir.

The CHAIRMAN. The port captain's department seems to consist of the port captain and six assistants, who attend to the deck department of the Shipping Board so far as licensed officers are concerned?

Mr. PARKER. Yes, sir.

The CHAIRMAN. Referring to your memorandum, if you will just refresh your recollection as we ask questions, I will be glad: What does the port captain look after, he and his assistants, outside of the personnel of the ship?

Mr. PARKER. The physical condition of the ship.

The CHAIRMAN. The machinery as well as the deck?

Mr. PARKER. No, sir; just the deck department, such as rigging and the condition of the holds—the hull in general outside of the engine department and the steward's department. There are three distinct departments—deck, engine, and steward's.

The CHAIRMAN. How large a fleet is there operating out of New York at the present time, approximately?

Mr. PARKER. Operating?

The CHAIRMAN. Yes.

Mr. PARKER. Well, sir, you have got me. I could not tell you exactly.

The CHAIRMAN. They are all under your supervision, aren't they?

Mr. PARKER. Yes; under our supervision for inspection.

The CHAIRMAN. How often are they inspected?

Mr. PARKER. Every voyage that they make to New York.

The CHAIRMAN. At the end of each trip or voyage?

Mr. PARKER. Yes, sir; at the time of arrival or as near time of arrival as possible. Sometimes we have four or five ships come in on a day, and we cannot make a thorough examination of them in one day. Sometimes it extends over a period of a week before we can get around to a ship.

The CHAIRMAN. You have besides the port captain a port engineer?

Mr. PARKER. Yes, sir.

The CHAIRMAN. What are his duties?

Mr. PARKER. His duties are to see to the physical condition of the engine room.

The CHAIRMAN. How many assistants does he have?

Mr. PARKER. Six.

The CHAIRMAN. Does he also have supervision over the deck machinery?

Mr. PARKER. Yes, sir; over all the machinery.

The CHAIRMAN. Does he also have jurisdiction over the radio equipment, the wireless?

Mr. PARKER. No; not at all.

The CHAIRMAN. What other branches are there?

Mr. PARKER. Then there is the steward's department.

The CHAIRMAN. What does that consist of?

Mr. PARKER. That consists of the port steward and six assistants.

The CHAIRMAN. What is his duty?

Mr. PARKER. To visit the ship, make physical inspection of her and report same; also to approve or disapprove of the chief steward when employed.

The CHAIRMAN. What do you mean by visit the ship and make personal inspection?

Mr. PARKER. On arrival to see if the quarters are in good condition, to see that the ice boxes are in good condition, and that the cold storage is in good shape.

The CHAIRMAN. The commissary department?

Mr. PARKER. Yes, sir.

The CHAIRMAN. And that the living quarters aboard the ship are right?

Mr. PARKER. Yes; and all the equipment in that department, such as silverware, linen, dishes, etc.

The CHAIRMAN. Does he have an inventory of the property under his supervision?

Mr. PARKER. There is an inventory department, sir; but the inventory is taken by the steward during the voyage, and any shortages that have occurred during the voyage are reported.

The CHAIRMAN. What other department is there under your supervision?

Mr. PARKER. The radio department.

The CHAIRMAN. Who is that in charge of?

Mr. PARKER. A gentleman by the name of Guthrie, who is chief radio inspector of this district.

The CHAIRMAN. How many assistants does he have?

Mr. PARKER. I think he has three men. But he is short of assistants.

The CHAIRMAN. Their duties are to look after the radio equipment on the ship?

Mr. PARKER. Yes, sir; and to see that repairs are carried out in the proper manner.

The CHAIRMAN. Repairs to the radio?

Mr. PARKER. Yes, sir.

The CHAIRMAN. And also to pass upon the personnel of that department?

Mr. PARKER. Of the radio department; yes, sir.

The CHAIRMAN. Do they have authority to employ radio operators without your approval?

Mr. PARKER. Well, they generally consult me.

The CHAIRMAN. I know; but is that a part of the system, that all those men who are employed aboard these ships in the radio department have to be approved by you?

Mr. PARKER. Well, he is a very competent man, and I leave that to him a good deal.

The CHAIRMAN. If he should leave and you had an incompetent man, would you have supervision over it then?

Mr. PARKER. Yes, sir; any strenuous cases, cases that arise where there is difficulty or controversy or anything like that, I would be consulted in the matter.

The CHAIRMAN. Do you have a veto over this other department—I mean, these other departments?

Mr. PARKER. Yes; I am consulted by the heads of these departments.

The CHAIRMAN. Do you appoint these people yourself?

Mr. PARKER. No, sir; these people are appointed by the ship's managers and operators, other than as to the division of operations; they appoint, and the different heads of departments approve or disapprove. We have a record of the heads of these departments.

The CHAIRMAN. Which departments approve or disapprove?

Mr. PARKER. The deck, engine, steward, and radio departments.

The CHAIRMAN. You mean as to the men aboard ship?

Mr. PARKER. Yes, sir.

The CHAIRMAN. You mean the operators' men?

Mr. PARKER. Yes, sir.

The CHAIRMAN. You do not interfere with the employment or dismissal from employment of anybody aboard these ships?

Mr. PARKER. Oh, yes, sir.

The CHAIRMAN. You do?

Mr. PARKER. Oh, we do. The marine department is supposed to be familiar with the character and ability of those men, such as the captain and the chief engineer—oh, in fact, all licensed officers, together with the steward and the radio man.

The CHAIRMAN. What other department is there?

Mr. PARKER. Well, the medical department, which is under the supervision of the marine department.

The CHAIRMAN. Who is in charge of that?

Mr. PARKER. Dr. Miners, fleet surgeon.

The CHAIRMAN. How many assistants does he have?

Mr. PARKER. Two and a stenographer. That is his staff.

The CHAIRMAN. What does he do?

Mr. PARKER. He attends to the sanitary condition of ships; also to the ills of any of the employees of ships under the management of the division of operations and the office staff of No. 45 Broadway.

The CHAIRMAN. Does he attend to their physical ailments?

Mr. PARKER. Yes, sir. I have here a record of the cases that he has attended to during the month of January, and also for the year 1920, which are quite numerous.

The CHAIRMAN. Captain, who appoints him?

Mr. PARKER. He was appointed in 1917 by the—I will not be positive now, but I think by Capt. Yates.

The CHAIRMAN. Who was formerly in charge here?

Mr. PARKER. Yes, sir.

The CHAIRMAN. Are there any other departments under your jurisdiction?

Mr. PARKER. Well, the guards.

The CHAIRMAN. What are they in charge of?

Mr. PARKER. They are the men who watch our ships, or try to watch them and prevent any pilfering of any nature.

The CHAIRMAN. That is, while they are at the dock?

Mr. PARKER. Yes, sir.

The CHAIRMAN. The guards do not sail with the ship?

Mr. PARKER. No, sir.

The CHAIRMAN. How many of those have you?

Mr. PARKER. At the present we have 54.

The CHAIRMAN. You have been with the Shipping Board about a year and a half?

Mr. PARKER. I joined the Shipping Board in August, 1917.

The CHAIRMAN. Would you say that the personnel of the board at present, so far as experience and efficiency are concerned, is better than it was two years ago or right after the signing of the armistice, confining your views now to the New York district here?

Mr. PARKER. I think so, sir. I have tried to make it so.

The CHAIRMAN. It has been your effort to weed out any incompetents and inefficients?

Mr. PARKER. Any undesirables; yes, sir.

The CHAIRMAN. When you came with the board I suppose you found a great many men who had had no previous experience in shipping matters?

Mr. PARKER. Yes, sir.

The CHAIRMAN. Who were incompetent and inefficient, and who were, perhaps, not trying to become efficient?

Mr. PARKER. Yes, sir.

The CHAIRMAN. You have dismissed them, as I understand it?

Mr. PARKER. Yes, sir; wherever I could.

The CHAIRMAN. And if you have matters of inefficiency or misconduct brought to your attention, how do you take steps to remedy them?

Mr. PARKER. We investigate such matters before we take any steps. We have an investigating board, composed of an old experienced captain and a competent engineer and a competent steward, to take up all matters of inefficiency, negligence, or insubordination, or anything of that nature.

The CHAIRMAN. Do they devote their entire time to matters of that sort?

Mr. PARKER. Yes, sir.

The CHAIRMAN. So they are men of actual experience?

Mr. PARKER. Yes, sir.

The CHAIRMAN. Who are competent and qualified to look into such matters?

Mr. PARKER. I think it is generally conceded so by the port of New York—marine people generally.

The CHAIRMAN. How long have they been functioning?

Mr. PARKER. That is the first matter that I took up after I was taken from the ship in May, 1918.

The CHAIRMAN. Has that board been operating since that time?

Mr. PARKER. Yes, sir.

The CHAIRMAN. Since you have been here, have you found cases of interlocking companies and subsidiary corporations doing work for operating companies or otherwise?

Mr. PARKER. Nothing that I could prove, sir.

The CHAIRMAN. Do you think that it is a matter that perhaps should be guarded against?

Mr. PARKER. I think it should; yes, sir.

The CHAIRMAN. You do?

Mr. PARKER. Yes, sir.

The CHAIRMAN. Why would you prevent interlocking companies or subsidiary corporations?

Mr. PARKER. Well, I believe that that would have a tendency for them to work to their own interests rather than o he inerests of the Government.

The CHAIRMAN. You think that matters carried on in that way would cost possibly more than if there was free competition?

Mr. PARKER. I do.

The CHAIRMAN. Do you have anything to do with the selection of the operating companies?

Mr. PARKER. No, sir.

The CHAIRMAN. Are you called upon to investigate as to their experience in operating ships?

Mr. PARKER. I never have been.

The CHAIRMAN. Is there anybody under your supervision who has that to do?

Mr. PARKER. No, sir.

The CHAIRMAN. That you understand is handled in Washington?

Mr. PARKER. At Washington, with a representative here in New York.

The CHAIRMAN. But he is not under you?

Mr. PARKER. No, sir.

The CHAIRMAN. Who is the Washington representative here for that purpose?

Mr. PARKER. Mr. Andrews is one of them, and Mr. St. Clair is another.

The CHAIRMAN. Mr. Andrews and Mr. St. Clair?

Mr. PARKER. Yes, sir.

The CHAIRMAN. Do you know what title they have?

Mr. PARKER. The allocation department. Then there is the contract department, under Mr. Foster's supervision—and that, I would almost safely state, is rather a case of interlocking, right there.

The CHAIRMAN. Captain, do you have supervision over repairs here?

Mr. PARKER. Only in the case of ships operated by the division of operations.

The CHAIRMAN. And not in the case of ships managed by managing operators?

Mr. PARKER. No, sir.

The CHAIRMAN. Do you have the assigning of those ships to particular yards?

Mr. PARKER. No, sir.

The CHAIRMAN. How is that done?

Mr. PARKER. By the C. and R. department—the construction and repair department. It is given out, I believe, on competitive bids.

The CHAIRMAN. Do you handle those bids?

Mr. PARKER. No, sir.

The CHAIRMAN. Do you handle the requisitions for repairs?

Mr. PARKER. No, sir; only in minor cases. For instance, if a ship is physically unfit to house the crew; if unsanitary conditions arise, the board of inspection is called in or requested by the managers or operators, and sometimes by the C. and R. department, to make a physical examination of the ship; or if on their tour, in the case of a physical examination, things are brought to their attention showing that repairs or renewals are necessary, that requisition is brought up to the C. and R. department.

The CHAIRMAN. I think you said when you were before the committee before that you thought the Shipping Board might get more advantageous rates for supplies and repairs and matters of that sort than has been the case. Do you think that perhaps the board have paid higher rates than it might have secured under some other plan?

Mr. PARKER. I think the board has been imposed on by the managers and operators' purchasers.

The CHAIRMAN. That is, not by any of its own officials?

Mr. PARKER. Not to my knowledge; no, sir.

The CHAIRMAN. But by the representatives of the operators?

Mr. PARKER. Yes, sir.

The CHAIRMAN. Have steps been taken to overcome that?

Mr. PARKER. I think that Washington has taken steps to overcome some of those cases. They have found some flagrant cases, where they have taken the matters up and adjusted them.

The CHAIRMAN. Does any of that come under your supervision?

Mr. PARKER. Well, there are cases; yes, sir. For instance, a ship when abroad makes considerable purchases. Our ships are stored in proportion to their proposed voyage; usually for a voyage across the Atlantic—75 days. When the ship arrives over there there may be additional purchases made. Such purchases have come to our notice, to the notice of the marine department, sometimes through our representatives or agencies abroad, and sometimes by the managing operators, and sometimes by our supercargoes sending in information to that effect. On arrival of a ship those bills are demanded and looked into, and in quite a good many cases we have found there have been fraudulent dealings.

The CHAIRMAN. Cases of improper deliveries?

Mr. PARKER. Improper deliveries, that is, on the part of purveyors or vendors. Sometimes the guilt has been laid to the master of the ship and sometimes to the steward, and sometimes to the engineer.

The CHAIRMAN. Have there been fees paid—cumshaw, as it is called in marine circles?

Mr. PARKER. I can not state any particular case that I would like to go on oath about, other than one.

The CHAIRMAN. You know of one?

Mr. PARKER. I know of one; yes, sir.

The CHAIRMAN. From your experience with shipping matters you know whether that has been the custom in marine circles, the payment of what is known as cumshaw?

Mr. PARKER. Yes, sir; in a mild form, but not to the extent that it has been practiced on the United States Shipping Board. Cumshaw is a Chinese term for graft or commission or whatever you want to term it.

The CHAIRMAN. Have you had occasion to look into matters of irregularities such as I have been mentioning, and have you been taking any steps in regard thereto?

Mr. PARKER. Yes, sir.

The CHAIRMAN. What are they?

Mr. PARKER. Well, while I was chairman of the board of inspection on an average of two cases a week came up. Sometimes they would come so fast we could not handle them.

The CHAIRMAN. What steps would be taken when you were satisfied that something improper had been done?

Mr. PARKER. Dismiss the guilty party.

The CHAIRMAN. After you had investigated them you would dismiss the guilty party?

Mr. PARKER. Yes, sir.

The CHAIRMAN. Can you say that conditions are improved along that line now, from what they were months ago?

Mr. PARKER. Yes, sir; I think so. I think we have them a little bit scared.

The CHAIRMAN. What would you state with reference to improper prices, etc.? Does it also apply to galley supplies?

Mr. PARKER. Yes; to all departments. That is—as to galley supplies, now—yes; galley supplies, too, because there are utensils purchased abroad way in excess of normal prices and also lots of it. We have found there were bills for which no delivery was made, but particularly as to stores—that is, provisions.

The CHAIRMAN. Ship's stores?

Mr. PARKER. Yes, sir.

The CHAIRMAN. How about deck supplies?

Mr. PARKER. The same way—oil, fuel, coal, packing.

The CHAIRMAN. Those are engine-room supplies?

Mr. PARKER. Yes, sir.

The CHAIRMAN. Of course, the matter of fuel is one which is carried out, I assume, on rather a large scale, is it?

Mr. PARKER. Very gigantic at times. One particular case that I have in mind represented \$9,000 in one individual deal.

The CHAIRMAN. Loss to the board?

Mr. PARKER. Yes, sir; loss to the board. And I am afraid through the negligence of somebody the guilty party, who made a confession to me, and whom I had arrested up here, and—

The CHAIRMAN (interposing). That is the Diehl case?

Mr. PARKER. Yes, sir; Capt. Rupert Ryan, together with the chief engineer, and a representative of the Standard Oil Co., in Rio de Janeiro, got away with 400 tons of oil.

The CHAIRMAN. I think you mentioned that case incidentally before.

Mr. PARKER. Yes, sir.

The CHAIRMAN. That matter is still pending, is it?

Mr. PARKER. Yes, sir; but they let the man get away.

The CHAIRMAN. Do you recall anything about ships from the Submarine Boat Corporation not being in condition so that you were able to dispatch them?

Mr. PARKER. Yes, sir.

The CHAIRMAN. What was the difficulty there?

Mr. PARKER. Not thoroughly completed.

The CHAIRMAN. The ships were not?

Mr. PARKER. No, sir.

The CHAIRMAN. Had they been delivered to the board and accepted?

Mr. PARKER. Yes, sir.

The CHAIRMAN. And what was necessary before they could be put into operation?

Mr. PARKER. Oh, an expenditure anywhere of \$5,000 to \$15,000.

The CHAIRMAN. Outlay?

Mr. PARKER. Yes, sir.

The CHAIRMAN. In the way of further work?

Mr. PARKER. Sometimes before the boat ever received a cargo there was considerable expense. In other cases they would make a voyage and come back, and the defects would be pointed out so plainly that we would have to go to work and recondition them.

The CHAIRMAN. Did any of those defects involve defective riveting?

Mr. PARKER. Yes, sir; defective riveting and defective materials and defective design.

The CHAIRMAN. Of course, those ships were inspected during their construction by some representative of the Fleet Corporation?

Mr. PARKER. Yes, sir.

The CHAIRMAN. And before they were delivered and accepted the inspection department must have approved the workmanship and material and design, I suppose.

Mr. PARKER. No, sir; I beg to differ with you. We did not approve of it.

The CHAIRMAN. You did not?

Mr. PARKER. No, sir. We raised objections immediately on their arrival in New York Bay from the yard where they were designed. We called the attention of the C. and R. department, both Mr. Bunker—

The CHAIRMAN. The C. and R. department means the construction and repair department, does it?

Mr. PARKER. Yes, sir. We called the attention of Mr. Bunker and Mr. Jett, and whoever it was that was in charge of the department at the time.

The CHAIRMAN. Have you looked into the matter of wharfage?

Mr. PARKER. Yes, sir; I have.

The CHAIRMAN. Is the matter of docking of ships at wharves and piers here under your supervision?

Mr. PARKER. Yes, sir; that is for the division of operations. Also I am reaching out now to managers and operators and checking them up.

The CHAIRMAN. Do you fix the rates that are paid?

Mr. PARKER. I try to do it.

The CHAIRMAN. How are the rates that have been paid?

Mr. PARKER. They have been very exorbitant.

The CHAIRMAN. They have?

Mr. PARKER. Yes, sir.

The CHAIRMAN. Is there any uniformity of rates?

Mr. PARKER. No, sir. As a man said to me not long ago when I was chastising him for his excessive rates, he said: "Why, I do not name the rates."

The CHAIRMAN. Was that a division of operation's ship?

Mr. PARKER. No, sir.

The CHAIRMAN. That was a manager's operated ship?

Mr. PARKER. Yes, sir.

The CHAIRMAN. Approximately how many wharves or piers here are our ships being docked or berthed at?

Mr. PARKER. Do you mean under the division of operations?

The CHAIRMAN. Yes, sir; I mean ships that the Shipping Board is operating.

Mr. PARKER. I would say about nine now. You see, since the ships came over under the division of operations, if there is no necessity for them we place them away in remote corners where they will not have any wharfage charge at all.

The CHAIRMAN. Do you anchor them?

Mr. PARKER. We are placing them down at Prawls Island. That is a little anchorage known as a Government anchorage, Government anchorage No. 1, in Kelvin Cove.

The CHAIRMAN. That is an anchorage area?

Mr. PARKER. Yes, sir.

The CHAIRMAN. You do not tie them up there at docks?

Mr. PARKER. We tie them up in groups.

The CHAIRMAN. But not at docks?

Mr. PARKER. No, sir.

The CHAIRMAN. They are anchored and moored off in groups?

Mr. PARKER. Yes, sir.

The CHAIRMAN. How long has this excessive wharfage charge prevailed here?

Mr. PARKER. Since I arrived here.

The CHAIRMAN. How long ago is that?

Mr. PARKER. October, 1917.

The CHAIRMAN. Is the rate for wharfage fixed upon the size of the ship or upon the length of time it is going to be tied up?

Mr. PARKER. The municipal rate, or rather the State rate, of wharfage is 2 cents a ton on the first 200 tons, and half a cent a ton on the balance of the net tonnage of the ship.

The CHAIRMAN. Is that the dead-weight tonnage?

Mr. PARKER. No, sir; on the net tonnage. That is the smallest tonnage. There is net, gross, and dead-weight.

The CHAIRMAN. How is that as compared with the rates charged by the municipality or the State when considered in connection with the rate charged by private operators?

Mr. PARKER. That charge is fixed by the State. Now then, the State lets out piers to speculators or to people operating large fleets of their own, and they are operating some of our ships, and then they charge their own rates.

The CHAIRMAN. And they can charge more than that, then?

Mr. PARKER. We have a ship right now we are paying \$180 per day on, unless it has been changed unknown to me. That is in the neighborhood of \$140 per day in excess of the State rates.

The CHAIRMAN. Do I understand that the State or the city will lease a pier to steamship operators or owners, and that then they may dock Shipping Board vessels there and charge the Shipping Board excessive rates?

Mr. PARKER. Yes, sir.

The CHAIRMAN. Is that under your jurisdiction?

Mr. PARKER. Yes; as to ships under the division of operations it is.

The CHAIRMAN. I mean is that something that you can stop?

Mr. PARKER. I am doing it as fast as I can, as fast as I can find piers.

The CHAIRMAN. How can you stop it?

Mr. PARKER. I hunt around for piers where I can get reasonable rates.

The CHAIRMAN. You can not do anything to reduce their rates?

Mr. PARKER. Not other than by bartering with the private individual. Not long ago one of our ships was paying \$125 a day. We had just taken her over from the Luckenbach Steamship Co., and we were paying \$125 a day. I called the man in. It was during stormy weather, and we could not move the ship right away; in fact, it was a ship that we wanted to reallocate, and to take her away from the dock and provision her and place her in the stream meant a considerable extra expense. I got after him, and asked him to reduce his rate, and finally he reduced it from \$1,400, or a little more than that, down to \$500.

The CHAIRMAN. What is the reason that there is this apparently expensive cost of docking ships here? Is it due to a lack of policy of procedure on the part of the Shipping Board; or is it because the Shipping Board has nothing to do with the amounts to be paid and that is left to the operators or left to the men in charge of the ship?

Mr. PARKER. That is left to the ships outside of the division of operations; yes, sir.

The CHAIRMAN. Do they pay these high rates?

Mr. PARKER. Yes, sir. We have some operators to-day paying \$50 per day for a smaller ship than I am paying for a division of operations' ship, \$30 a day.

The CHAIRMAN. Does this take in ships that are simply tied up and not in commerce?

Mr. PARKER. Yes, sir; and those in commerce, too.

The CHAIRMAN. When they are being loaded they pay these rates?

Mr. PARKER. They pay a higher rate when they are occupying a loading pier or a discharging pier.

The CHAIRMAN. How about rates for ships occupying a loading or a discharging pier; are they excessive, those rates?

Mr. PARKER. I think they are; yes, sir. I have them under adjustment.

The CHAIRMAN. Have you had anybody to make a study of the wharfage problems here, and to ascertain what the going rates are for ships operated by private companies, and the practices in those cases as compared with ships operated either by the Shipping Board itself or by operators under the M. O. agreement?

Mr. PARKER. I have made a study of it myself by inquiring of different ship owners what their rates are, and I am led to believe that the people who have charge of these wharves are imposing on Government ships more than they are on privately owned ships.

The CHAIRMAN. Do you know of any case where an operator has ships of his own and also Shipping Board ships where that operator is paying less for his own ships?

Mr. PARKER. No, sir; I could not quote that.

The CHAIRMAN. You could not find any case like that?

Mr. PARKER. No, sir.

The CHAIRMAN. How long have you been looking into this question?

Mr. PARKER. Since the first of October.

The CHAIRMAN. Do you recall the case of the steamship *Easterner*, managed by the Tracey Co.?

Mr. PARKER. Yes, sir.

The CHAIRMAN. What was there in reference to the wharfage charge on that ship?

Mr. PARKER. Well, I will tell you that story from start to finish. I had occasion to seek wharfage. I sent, unknowingly, for the party who owned or had leased the wharf where the *Easterner* was lying. I asked him—well, I am getting a little too fast. I had some occasion to put anchors on the *Easterner* for the managers and operators, and in the course of a conversation I asked the marine superintendent of the *Easterner*, Capt. Jensen, the Tracey's representative, what he was paying, and he said \$100 a day. Twenty minutes afterwards the representative of the wharf where that ship was lying came into my office, at my request, to talk wharfage, and I asked him what he could give me wharfage for on a ship of the *Easterner's* type, and he said \$75 a day. I said, "What is the *Easterner* paying?" And he said, "\$75 a day."

The CHAIRMAN. How do you explain that discrepancy?

Mr. PARKER. Now the marine superintendent tells me that they never paid that \$100 a day, that they got it reduced immediately after my conversation with them.

The CHAIRMAN. Well, had they been charging that amount to the Shipping Board, \$100 a day?

Mr. PARKER. No, as to wharfage they did not. Their charge was \$75. Now that bill as made out is \$75, but the marine superintendent told me over the phone that they were paying \$100 a day.

The CHAIRMAN. And the bill is made out at \$75 a day?

Mr. PARKER. Yes, sir; at \$75 a day. He called me up about two days ago and told me about it.

The CHAIRMAN. Do you know Capt. Yates?

Mr. PARKER. Yes, sir. Do you mean Capt. Yates of the General Navigation Co.?

The CHAIRMAN. Formerly marine superintendent in charge here.

Mr. PARKER. Yes, sir; I am quite well acquainted with him.

The CHAIRMAN. Has he charge of any wharves?

Mr. PARKER. I believe he is associated with the State piers at New London. That is the only one I know of that he is associated with.

The CHAIRMAN. Are we using those piers?

Mr. PARKER. Yes, sir. We have seven ships at the present time tied up there, at the rate of \$15 per day.

The CHAIRMAN. Is that a reasonable rate?

Mr. PARKER. It is the best that we are getting anywhere else. Of course, it is in a remote place.

The CHAIRMAN. Do you have jurisdiction over the withdrawal of ships from commerce and the putting of them in storage?

Mr. PARKER. No, sir.

The CHAIRMAN. Who has that?

Mr. PARKER. That is done in Washington, with Mr. Andrews and Mr. Foster, the representatives here in New York.

The CHAIRMAN. Do you know whether any Shipping Board representatives of ships operating either under the M. O. agreement or by the division of operations are under bond?

Mr. PARKER. Any of the operators?

The CHAIRMAN. Yes.

Mr. PARKER. I do not know, sir.

The CHAIRMAN. If I understand correctly, there is an engineer aboard a ship.

Mr. PARKER. Yes, sir.

The CHAIRMAN. And a steward aboard a ship?

Mr. PARKER. Yes, sir.

The CHAIRMAN. And a captain aboard each ship?

Mr. PARKER. Yes, sir.

The CHAIRMAN. All of whom have authority to contract bills for the vessel?

Mr. PARKER. When abroad; yes, sir.

The CHAIRMAN. And then there is the port captain and the port engineer and the port steward in the home port, who have authority to contract obligations against the Shipping Board on account of their ship?

Mr. PARKER. Yes, sir.

The CHAIRMAN. Are any of those officials, if you know, bonded?

Mr. PARKER. Not to my knowledge. Oh, I beg pardon. In some cases they are. I do not know whether they are in all cases, but I know that a man came in to me three days ago, I think it was, and he was the superintending engineer, and he told me he was under a \$20,000 bond. He was with the Seager Trading Co. That is the only case I know of.

The CHAIRMAN. Do you know of cases where the Shipping Board has required bonds to be furnished by men whom they have appointed to these positions?

Mr. PARKER. No, sir; I do not know it. It may be, however.

The CHAIRMAN. Do you think that would be practicable?

Mr. PARKER. I do, sir. I think it would eliminate a whole lot of this cussedness abroad. I believe if we should put our captains under bond that it would overcome a whole lot of these excessive charges.

The CHAIRMAN. Have you made any such recommendation?

Mr. PARKER. Not in writing. I have talked the matter over with my superiors several times and quite often, so often that I almost fear I have become obnoxious to them.

The CHAIRMAN. What is your suggestion as to remedying this docking situation here in New York?

Mr. PARKER. For us all to pull together and put our ships either at anchor or at isolated places, like Prawls Island, or Jamaica Bay, and let these wharves remain idle for a little while. I think it would very likely cause them to come to time.

The CHAIRMAN. I think you said you did know of one instance where a ship operator under an M. O. agreement was also the lessee of a wharf and was charging the Shipping Board a wharfrage in excess of the State rate?

Mr. PARKER. No; that is, I do at a repair yard. I know of several cases of that kind; that is, it is from a verbal conversation. The United States Mail or the France-Canada Line had a pier leased. They are managers and operators of some of our ships, and I asked them what wharfrage they were charging those ships lying at the pier, and they said \$100 a day. That was way in excess of what it should be. They were dead ships.

The CHAIRMAN. They were tied-up ships?

Mr. PARKER. Yes, sir.

The CHAIRMAN. Do you know of any instance in this vicinity or in your district where steamship concerns have taken a lease or have the use of piers formerly under the jurisdiction of the War and Navy Departments and who are operating ships of the Shipping Board under an M. O. agreement and charging them wharfage?

Mr. PARKER. No; I can not quote positively on that, but the Munson Line and the Cosmopolitan Line are occupying the Hoboken piers.

The CHAIRMAN. They were formerly under the War Department?

Mr. PARKER. Yes, sir.

The CHAIRMAN. Do you know what they are charging?

Mr. PARKER. No, sir; I do not know their rates.

The CHAIRMAN. Do you know that they are charging anything?

Mr. PARKER. I can not say.

The CHAIRMAN. Isn't that under your supervision?

Mr. PARKER. I have been butting in on that. It is not supposed to be under my supervision, and I am not supposed to interfere with managers and operators unless a thing points out very clearly.

The CHAIRMAN. Who has charge of wharfage here?

Mr. PARKER. The wharfage of ships under the division of operations I have, but not of the ships of managers and operators. I request managers and operators to come down in their prices, but I have no authority to compel them to do so.

The CHAIRMAN. Under what agreement are Shipping Board ships being operated now—M. O. 1, M. O. 2, M. O. 3, or M. O. 4?

Mr. PARKER. I think under M. O. 4.

The CHAIRMAN. Do you think M. O. 4 has been put into operation?

Mr. PARKER. In many instances, I think.

The CHAIRMAN. Do you know whether it was made retroactive—dated back?

Mr. PARKER. That I could not tell you. You see that comes under the allocation department.

The CHAIRMAN. Who is in charge of that here?

Mr. PARKER. Mr. Andrews and Mr. Foster. Word comes up from Washington that a ship is being allocated or assigned to a certain concern, and they pass the word on.

The CHAIRMAN. Do you have anything to do with repair yards, Captain?

Mr. PARKER. Only the repair of ships under the division of operations. I have nothing to do with the yards, only with the repairs of ships under the division of operations.

The CHAIRMAN. Do you call for bids?

Mr. PARKER. Yes; we have been doing it lately, that is, in two or three instances.

The CHAIRMAN. You award the contract?

Mr. PARKER. Yes, sir. That is, the Marine Department does that through the Construction and Repair Department. I will quote an instance: If it is found necessary for repairs to be done, we have an inspection made, and make a requisition setting forth the required repairs. We send that to the Construction and Repair Department, and tell them to get bids on the work and give it to the lowest bidder. But the repairs are really in the hands of the Construction and Repair Department.

The CHAIRMAN. Would you say that the matter of operations of ships under the managing operators agreement, and also of the ships being operated by the Division of Operations, including the matter of dry docking and repairs, are all under sufficient supervision or inspection to safeguard against excessive expenditures of money?

Mr. PARKER. I am afraid not, sir.

The CHAIRMAN. Would you believe it practicable for each ship operated under an M. O. agreement, to have a representative of the Shipping Board constantly aboard that ship to supervise any expenditures made necessary?

Mr. PARKER. I think that any repair work should be investigated before being approved, by the ship's owner, which is the Shipping Board.

The CHAIRMAN. Isn't that done now, in a way?

Mr. PARKER. Well, only in a way, sir.

The CHAIRMAN. Do you think the method could be improved upon?

Mr. PARKER. I do, sir.

The CHAIRMAN. In what way?

Mr. PARKER. By having a competent representative go aboard the ship and make a thorough inspection; open up the machinery wherever defects are reported to exist, and get estimates before—well, to cooperate with managers and operators. Really, my idea would be to do the same as the commercial lines do. The Government owns the ships, why not let the Government repair the ships? My idea may seem strange to you, sir, but when I came out here from the Pacific coast in 1917, I came out in a Shipping Board ship. She was under charter to Williams, Diamond & Co., at so much per ton, and manned and stored at that rate. I believe that is the only system by which we are ever going to make a success of our Government-owned ships.

The CHAIRMAN. Does that mean a charter upon the bare-boat basis?

Mr. PARKER. No, sir. On the bare-boat basis you give the operator too much opportunity to run up excessive bills.

The CHAIRMAN. Then this plan of yours is really more than the bare-boat basis and a little less than the M. O. agreement?

Mr. PARKER. Yes. It is a case of this kind: You, as the owner, have the ship, and I have a certain amount of freight to distribute from one port to another, say 10,000 tons. I make application to you for a ship to take these 10,000 tons of freight, and ask you for your price for the delivery of those goods. The ship is all equipped by the Government, and all the repairs are done by the Government, and the manning is done by the Government. One of our greatest errors to-day in the Shipping Board is permitting managers and operators to put their own selection of men aboard ships. That is where the fraudulent work is done abroad so much. Say here is a man who is a captain and who goes aboard a ship to-day. He makes a successful voyage and he is a good ship master. He comes back, and then his ship is taken away from him and allocated to another concern.

Immediately on the allocation the other concern says to the captain: "We have no more use for you. We have a man of our own that we will put on there." That fellow is then out in the street

looking for a job. The next ship he gets aboard of he sees an opportunity to make an inning before the time when he will be on the street again, and he just goes ahead and makes it. What we should do would be to put our chief engineer or our own crew on a ship. I think the repairing and manning of Shipping Board ships by the Shipping Board is the proper system.

The CHAIRMAN. That keeps the Government in the work of the operation of ships?

Mr. PARKER. Yes, sir; and we are in it now.

The CHAIRMAN. It is rather an expensive way, isn't it?

Mr. PARKER. I think it is less expensive.

The CHAIRMAN. You do?

Mr. PARKER. You consult any old-time shipping concern, and say you go to them, for instance, and say: "I want a ship, but I want to select my captain and chief engineer." They will tell you that you can not have their ship, because they want their own men there to see that the ship is kept up properly.

The CHAIRMAN. Did you make any detailed investigation or inquiry into these boats received from the Submarine Boat Corporation, Captain? I mean to ascertain how it happened that those vessels were turned over in the shape they were despite the inspection or work of the Shipping Board employees or officials?

Mr. PARKER. Yes; I made that report to my superiors. The first that came to my notice was given to Capt. Ferris. Also at that time Mr. Scott was then superintending engineer. I called their attention to it. They said they would take steps to do it, and they said they had done it. But they said they were overruled, that the ships were being built as per specifications and they could not do anything else but accept them as they were.

The CHAIRMAN. Would the matter of defective riveting and other defective workmanship and material, which was discovered, as I understand you, indicate to you that they were being constructed according to the specifications?

Mr. PARKER. I believe they were, sir; that is, not as to workmanship.

The CHAIRMAN. No.

Mr. PARKER. But as to design, yes.

The CHAIRMAN. As to design?

Mr. PARKER. Yes, sir.

The CHAIRMAN. But do you think that the specifications permitted defective riveting?

Mr. PARKER. No, sir; no, no; that is workmanship, that is workmanship.

The CHAIRMAN. Do you know whether or not at the time that work was going on, it had been brought to anybody's attention that it was being performed—

Mr. PARKER (interposing). I know that they told me—I did not personally interview the Submarine Boat Corporation, but my superiors told me that they had, and that they—

The CHAIRMAN. Who were your superiors who told you?

Mr. PARKER. At that time it was Capt. Ferris.

The CHAIRMAN. Capt. Ferris?

Mr. PARKER. Yes, sir; Capt. Ferris.

The CHAIRMAN. Here at New York?

Mr. PARKER. Yes.

The CHAIRMAN. He said that he had interviewed the Submarine Boat Corporation?

Mr. PARKER. Yes, sir.

The CHAIRMAN. Now, did the Government have to pay for putting these ships in shape?

Mr. PARKER. Yes, sir.

The CHAIRMAN. Or was it done by the builder?

Mr. PARKER. No, sir; the Government had to pay for it as I understand. Mr. Jett succeeded Mr. Bunker; I called his attention to it, and he said he had taken the matter up with them and they had just simply ignored him.

The CHAIRMAN. How many ships were there of that sort, that you had?

Mr. PARKER. I could not recall the exact number, sir, but they were numerous. Nearly every submarine boat was of that nature. Of course, prior to the armistice being signed, why, we did not take such great exception to it, at the poor delivery, because it was ships we wanted, regardless of their condition; but after the armistice we raised a considerable of a noise about it. It did not meet with any results, though.

The CHAIRMAN. Are those ships being operated today?

Mr. PARKER. Some of them; a great many of them are being laid up, though, sir; a great many.

The CHAIRMAN. How about ships out of New York, are there quite a few being laid up?

Mr. PARKER. Oh, yes, sir.

The CHAIRMAN. What is the reason for that?

Mr. PARKER. Well, I think that is general depression in business, in trading.

The CHAIRMAN. Are any of the old established lines laying up any of their craft?

Mr. PARKER. I think so; yes, sir.

The CHAIRMAN. They are?

Mr. PARKER. Oh, yes.

The CHAIRMAN. So it is a general condition?

Mr. PARKER. I think so. I find out, sir, that abroad it is very much the same, in Europe. European maritime countries are laying up lots of their ships, too.

The CHAIRMAN. With the revival of business conditions, do you look to see our shipping interests restore these Shipping Board ships to commerce?

Mr. PARKER. I do not see anything to prevent it, sir; I do not see anything to prevent it.

The CHAIRMAN. When these ships are laid up, under the present agreement, who is responsible for repairs?

Mr. PARKER. The Division of Operations.

The CHAIRMAN. And also responsible for the storage of them, and the care?

Mr. PARKER. Yes, sir; and the upkeep; yes, sir.

The CHAIRMAN. All the operator has to do is to sail in with his ship, unload his cargo and say, "Here is your boat, we are not going to operate it, because business is bad," and then the responsibility goes upon the Shipping Board or the Fleet Corporation?

Mr. PARKER. Yes, sir.

The CHAIRMAN. How large are those submarine boat ships; were they all of one size?

Mr. PARKER. About 5,500 tons. They vary a little, from 5,500 to 5,700, and about 5,200. Some of them I think are down as low as 5,000, but they will average about 5,400 or 5,500.

The CHAIRMAN. Are they oil burners or coal?

Mr. PARKER. Some oil and some coal.

The CHAIRMAN. Do you have anything to do with saying when a ship shall be converted from a coal burner to an oil burner?

Mr. PARKER. No, sir.

The CHAIRMAN. Is that a Construction and Repair matter?

Mr. PARKER. That, I think, is decided in Washington mostly.

The CHAIRMAN. By the Shipping Board?

Mr. PARKER. Yes, sir. I think the commissioners do that.

The CHAIRMAN. Do you report at all to the Division of Operations?

Mr. PARKER. Oh, yes; I report to Mr. George Sterling; he is my superior.

The CHAIRMAN. What is his title?

Mr. PARKER. He is the assistant director.

The CHAIRMAN. Of operations?

Mr. PARKER. Yes, sir.

The CHAIRMAN. He reports to Capt. Foley at Washington?

Mr. PARKER. Yes, sir.

The CHAIRMAN. You have nothing to do with auditing the accounts of operations?

Mr. PARKER. Only to look over the accounts, such as the payrolls or bills contracted while under the Division of Operations. I have to do with that altogether.

The CHAIRMAN. Just to revert to your suggestion a few moments ago, about manning and storing ships; do you know of any such arrangement which has been tried out upon any Government ships?

Mr. PARKER. No, sir, not in any Government ships—yes, the one as I tell you. As I understand it, the way the Shipping Board's plans were in the making, was to charge so much per ton per ship. I am not positive that the manning and storing were included in that or not, but that was under the conditions that I came around from San Francisco to New York.

The CHAIRMAN. That was the M. O. 2, was it not?

Mr. PARKER. Yes, sir.

The CHAIRMAN. That was changed?

Mr. PARKER. Yes, sir.

The CHAIRMAN. How many men have you in your department, under your jurisdiction?

Mr. PARKER. I could not tell you right offhand, but including the ships that are under our management now, the crews, you know, in the neighborhood of 500.

The CHAIRMAN. 500?

Mr. PARKER. Yes, sir.

The CHAIRMAN. Do you know the Green Star Co.; does that operate from New York?

Mr. PARKER. Well, I know of them, yes, sir. We do business with them, in a way.

The CHAIRMAN. What business do you have to do with them?

Mr. PARKER. Well, only in the approving of the personnel.

The CHAIRMAN. Approving of the personnel?

Mr. PARKER. Yes, sir, and the physical inspection of all of the ships under their management.

The CHAIRMAN. Well, you have no more to do with them than you have to do with other operators?

Mr. PARKER. No, sir; no, no, not at all.

The CHAIRMAN. Do I understand you to say that if an operator has a Shipping Board ship, and he takes it from New York to Liverpool, for instance, and return, and on the return voyage he gets into difficulties, you have the authority to have that captain removed?

Mr. PARKER. Yes, sir; provided we find he is guilty. We can have him removed immediately on that finding.

The CHAIRMAN. Well, now, do you take the finding that you make yourself, or the finding of the United States inspectors?

Mr. PARKER. We do not do any business with the United States local inspectors at all. I tried to do it in the start.

The CHAIRMAN. Well, though, in the case of a collision—

Mr. PARKER. Oh, in the case of a collision we turn that over to them; but in many instances we have reversed their decision, simply because they told me, in the early stages of our enterprise here, the Shipping Board enterprise, that men were so scarce that they had to overlook a lot of these errors that were made, such as the grounding of a ship. I have had to take masters out of ships that the local inspectors refused to take out, after they had done a lot of damage.

The CHAIRMAN. So that where the United States inspectors have held an inquiry and have not deemed the incident of sufficient importance to discipline the master, the Shipping Board has looked into the matter and investigated it, and has disciplined him?

Mr. PARKER. Yes, sir.

The CHAIRMAN. Or dismissed him?

Mr. PARKER. Yes, sir. I might quote a couple of instances, if you wish to have them.

The CHAIRMAN. Well, perhaps it would be well for the record, Captain, if you could give us a couple of cases where that has occurred, and what the infraction was.

Mr. PARKER. I can not recall the names of the ships, but there were two ships that were grounded here on the Jersey Coast in a thick fog. On one a man kept dropping the lead over and running into shoaler water, and continued on the same course until he ran into the shore. The local inspectors did not deem it sufficient to take his license away, but we dismissed the man. There were two cases the same night.

The CHAIRMAN. Is that shown in the log book?

Mr. PARKER. Oh, yes, surely. In the other case the same night a man ran his ship ashore in a thick fog, but never sounded, never took a cast of the lead—both violations of the Marine Laws.

The CHAIRMAN. Did the inspectors hold an inquiry in that case?

Mr. PARKER. Yes, sir.

The CHAIRMAN. And did not do anything about it?

Mr. PARKER. No, sir.

The CHAIRMAN. And you dismissed the man?

Mr. PARKER. Yes, sir.

The CHAIRMAN. How long had that man been a sea captain?

Mr. PARKER. Why, they both had been old sea captains; both of them.

The CHAIRMAN. Well, it is quite frequent, is it not—

Mr. PARKER. Oh, yes.

The CHAIRMAN (continuing). That sea captains will go along in a fog without sounding?

Mr. PARKER. Well, no; I would not say it is quite frequent. Those were a couple of the most flagrant cases I ever met.

The CHAIRMAN. Were the ships damaged to any extent?

Mr. PARKER. Oh, yes; they had to be docked.

The CHAIRMAN. Had to be docked?

Mr. PARKER. Yes, sir; had to be docked.

The CHAIRMAN. Were they ships operated under the operators' agreement?

Mr. PARKER. Yes, sir.

The CHAIRMAN. Or Division of Operations?

Mr. PARKER. Yes; they were under the operators' agreement. One was by the Paragon Steamship Co., I think, and the other by J. H. Winchester & Co.; Capt. Clark and Capt. Mansfield.

The CHAIRMAN. Any questions, Mr. Steele?

Mr. STEELE. Captain, I do not think I was present at your previous examination. I understand a considerable part of the matter you have testified to here was covered by your previous testimony.

Mr. PARKER. Some of it. I do not think I went into quite as much detail as I have this time.

Mr. STEELE. This coal transaction which you have referred to, of the Dio—

Mr. PARKER. That was oil, sir.

Mr. STEELE. That was oil?

Mr. PARKER. Oil fuel.

Mr. STEELE. Was that covered by your previous testimony? I simply do not care to repeat.

Mr. PARKER. No; I think not. I do not think it was; was it, Mr. Walsh?

The CHAIRMAN. I do not think we inquired of you, Captain.

Mr. PARKER. No.

The CHAIRMAN. You may have been present when some other witness was interrogated.

Mr. PARKER. No, I was not. I went right out of the room as soon as you were through with me.

Mr. STEELE. It was brought out by some of the other witnesses?

The CHAIRMAN. Oh, yes, by the steward, I think, aboard the ship.

Mr. STEELE. Now, you have stated, Captain, that in your judgment the board has been imposed upon, not by officials, but by representative of operators?

Mr. PARKER. Yes, sir.

Mr. STEELE. What was the character of that imposition?

Mr. PARKER. Well, in the purchase of supplies, and also the non-upkeep of the ships. We have taken ships away from managers and operators for that same cause.

Mr. STEELE. And that, you, say, has been corrected?

Mr. PARKER. Yes, sir, we are correcting those cases whenever we meet up with them.

Mr. STEELE. Now, these defects that you have referred to in the submarine boats, they were defects in original construction, were they?

Mr. PARKER. Yes, sir, in the design.

Mr. STEELE. Well, the design, of course, the contractor has nothing to do with.

Mr. PARKER. No; as I understand it, sir, the design was by Government officials.

Mr. STEELE. Yes. So that there is no charge against the contractor for conforming with the Government's own design?

Mr. PARKER. No, sir, no. I can not see where that would be. The only thing is, we ought to have remedied that design as soon as we found it defective.

Mr. STEELE. I agree with you there. But I am trying to get at now just where the contractor fell down on his work.

Mr. PARKER. Well, the contractor would fall down on his work, as Mr. Walsh says here, when he referred to the riveting.

Mr. STEELE. Yes.

Mr. PARKER. And in the general workmanship.

Mr. STEELE. General workmanship. Well now, were there Government inspectors on those vessels during the time of their construction?

Mr. PARKER. Yes, sir.

Mr. STEELE. And this workmanship passed their inspection?

Mr. PARKER. Yes.

Mr. STEELE. And was the attention of the contractors called to the defect?

Mr. PARKER. Yes, sir.

Mr. STEELE. It was?

Mr. PARKER. Yes, sir.

Mr. STEELE. And yet there was no charge made against the contractor?

Mr. PARKER. Apparently not. I do not know of any, sir.

Mr. STEELE. Have you any knowledge on that subject?

Mr. PARKER. I do not know of any charge. I do not know where those contractors have ever been called on to make good.

Mr. STEELE. Have you ever made any inquiry on that subject?

Mr. PARKER. Well, I have, yes; and been told that they could not do anything. Mr. Bunker and Mr. Jett and Mr. Mason, all three, they were men in charge of the construction and repair department, with whom I took the matter up, told me that they had used every effort, to no avail.

Mr. STEELE. That is, to obtain an adjustment of that defect with the contractors?

Mr. PARKER. Yes, sir.

Mr. STEELE. That was the Submarine Boat Co.?

Mr. PARKER. Yes, sir.

Mr. STEELE. Over here at Newark?

Mr. PARKER. Yes, sir.

Mr. STEELE. And there were a number of such vessels, you say?

Mr. PARKER. Yes, sir; there were a number of them. I would say there were more than 40.

Mr. STEELE. More than 40. And those defects, you say, were afterwards remedied by the Government itself?

Mr. PARKER. In a great measure. There are some of those defects that still exist, sir.

Mr. STEELE. But wherever they were remedied by the Government, you say that the Government did so at its own expense?

Mr. PARKER. To the best of my knowledge; yes, sir. It was done by the construction and repair department, and they told me that it was done at the Government's expense.

Mr. STEELE. And no charge back to the contractor for it?

Mr. PARKER. That is what they told me; yes, sir.

Mr. STEELE. That is what they told you?

Mr. PARKER. But I could not swear to it, you know. I am only voicing their words to me.

Mr. STEELE. As I understand it, you have no direct information of your own?

Mr. PARKER. No, sir.

Mr. STEELE. You are only repeating——

Mr. PARKER. That is all.

Mr. STEELE (continuing). What officers have told you?

Mr. PARKER. That is all. I took the matter up with them about the defects, and this is their reply.

Mr. STEELE. And if there is any mistake about it, it is due to the misinformation given to you?

Mr. PARKER. What is that, sir?

Mr. STEELE. If there is any mistake about it, it is due to the misinformation given to you?

Mr. PARKER. Yes, sir.

Mr. STEELE. Now the case of the *Easterner*, did you testify to that before, Captain?

Mr. PARKER. No, sir.

Mr. STEELE. You did not. That, however, simply resolves itself down to this, that you were informed that a charge was made of \$100 per day, but no such charge was actually made to the Government?

Mr. PARKER. No, sir.

Mr. STEELE. So the Government lost nothing there?

Mr. PARKER. Nothing; no. I think it would have, though, if I had not checked it up.

Mr. STEELE. Now I understand that you dissent from the bare boat idea?

Mr. PARKER. I am only working on the theory or the practice of old practical steamship companies that have built up a reputation and a fortune on those lines.

Mr. STEELE. Yes. Well, that policy has not yet been inaugurated, as I understand?

Mr. PARKER. Never; no, sir.

Mr. STEELE. It is simply under discussion or consideration?

Mr. PARKER. I hope to see it inaugurated, though.

Mr. STEELE. You hope to see it inaugurated?

Mr. PARKER. I do; yes, sir.

Mr. STEELE. That is, the bare boats?

Mr. PARKER. No, sir; the boats equipped.

The CHAIRMAN. Manned and stored?

Mr. PARKER. Yes, manned and stored.

Mr. STEELE. That is, by Government officers?

Mr. PARKER. Yes, sir; by the Government, at Government expense.

Mr. STEELE. Now, as Mr. Walsh suggested, does not that keep the Government in the business all the time more deeply?

Mr. PARKER. They are in the business all the time as it is, sir, under any agreement we have ever had.

Mr. STEELE. But would not the bare-boat idea eliminate this question of operators imposing upon the Government?

Mr. PARKER. I think it would give them a greater opportunity.

Mr. STEELE. You think it would?

Mr. PARKER. When he gets the bare boat he has charge of the stores, the supplies, as I understand it. I have been told that a bare-boat charter we are to keep our hand off of. We have a bare-boat ship in here now, sir, that we have just taken over.

Mr. STEELE. Well, those charges are not made to the Government, though.

Mr. PARKER. Which?

Mr. STEELE. They simply lease the boat, do they not, practically the bare boat itself? Is not that the theory?

Mr. PARKER. Yes, sir; they lease the bare—

Mr. STEELE. And all that the Government has to do is to see that their leased property is returned to them in substantially the same condition as when they leased it?

Mr. PARKER. Is it returned to them, though, in that condition? Here we are receiving a ship to-day, the *New Rochelle*, in a much worse condition than what they received her from us, on a bare-boat charter with option to buy.

Mr. STEELE. Yes; but then is not the lessee responsible for any deterioration?

Mr. PARKER. What are companies in the hands of a receiver for now? Who is fathering that bill?

Mr. STEELE. Well, your suggestion of a bond would meet that, would it not?

Mr. PARKER. Well, I don't know. The bondsmen sometimes fall down, sir.

Mr. STEELE. Well, that is about the last resort, though, giving a bond. I only want to get at the merits of the plan.

Mr. PARKER. Yes, sir. I really believe that the Government would be better protected to operate their ships the same as the old-line companies have built up their fortunes on, and that was, you charter a boat from me, but I put my representatives aboard her to see that the boat be kept up to her present status.

Mr. STEELE. Well, Captain, don't you think that private management, as the old-line companies had, can be done more efficiently than a Government can do it?

Mr. PARKER. Not if we make the proper selection of men, sir; not if we make the proper selection of men.

Mr. STEELE. Well, has not our experience here, since the armistice, been a rather sad one in that direction?

Mr. PARKER. Simply because, I am sorry to have to state here, sir, that we have not had the proper selection of men.

Mr. STEELE. I think that is all, Captain.

The CHAIRMAN. Mr. Connally?

Mr. CONNALLY. Have we any hope that in the future we will do any better than we have in the past in that respect?

Mr. PARKER. Well, that remains with the Government, sir. I am in hopes, yes; I am in hopes we will.

Mr. CONNALLY. We are all in hopes.

Mr. PARKER. That remains with the Government, as to their methods.

Mr. CONNALLY. Captain, when these boats make purchases abroad, who makes those purchases, the captain or the steward or who?

Mr. PARKER. Well, sometimes the captain, sometimes the steward, sometimes the chief engineer, and sometimes our Shipping Board representative abroad.

Mr. CONNALLY. Well, that is exactly what I was going to ask you. Why is it that you do not have some standard way of making those purchases? Why does not the Shipping Board make those purchases in all cases? Would you not be apt to keep better track of it?

Mr. PARKER. Sometimes we have found that our shipping representatives abroad are worse than the captains.

Mr. CONNALLY. Well, why do you not fire them?

Mr. PARKER. I would if I had my way about it.

Mr. CONNALLY. Well, they are under your charge, are they not?

Mr. PARKER. No, sir.

Mr. CONNALLY. Under whose charge are they?

Mr. PARKER. Oh, no; I do not reach up as high as that.

Mr. CONNALLY. They are under the Operations Divisions, are they not?

Mr. PARKER. No; managers and operators deal directly with Washington.

Mr. CONNALLY. I am talking about your agents in foreign countries.

Mr. PARKER. Oh, those men are appointed by Washington.

Mr. CONNALLY. Well, I know, but they are appointed by the Operations Division, are they not?

Mr. PARKER. They are appointed, as I understand, an official, the Shipping Board head, say, in Rotterdam, or the Shipping Board head in London or Yokohama, or whatever it may be, that gentleman is appointed by the commissioners.

Mr. CONNALLY. You spoke about ships under the Division of Operations, and then ships that were under the managers and operators. Those under the Division of Operations are handled absolutely by the Government, are they?

Mr. PARKER. Yes, sir.

Mr. CONNALLY. They haul freight?

Mr. PARKER. No, sir; we have not been doing it for some time. We did do it.

Mr. CONNALLY. That is what I mean.

Mr. PARKER. We did, but not now.

Mr. CONNALLY. What do you do now in those cases?

Mr. PARKER. Well, now, we just take care of the ships or the boats that we operate about the bay here.

Mr. CONNALLY. Oh, I see. All ocean-going stuff, then, is in the hands of managers and operators?

Mr. PARKER. Yes, sir.

Mr. CONNALLY. In the case of managers and operators, does their contract with the Government require that they pay these wharfage charges, or is that an item that is chargeable to the Government?

Mr. PARKER. They pay the charges and recharge to the Government.

Mr. CONNALLY. That is what I mean; the Government's contract with them, sir, makes the Government responsible for all these wharfage charges?

Mr. PARKER. A ship is always responsible for her bills, sir; according to marine laws, a ship is always responsible for her bills.

Mr. CONNALLY. I understand that; that is all right with reference to the law, but I am talking about as between the Government and the operator.

Mr. PARKER. The operator pays all bills.

Mr. CONNALLY. The operator pays all the bills?

Mr. PARKER. Yes, sir.

Mr. CONNALLY. But you say he recharges those bills in the case of wharfage, against the Government?

Mr. PARKER. Yes, he does.

Mr. CONNALLY. So the contract——

Mr. PARKER. The Government pays the bills eventually.

Mr. CONNALLY. I see. That is what I was trying to get at. Then the operation under the Government contract contemplates that the Government pay these wharfage charges, and that is why it is important that they be reduced and cut down.

Mr. PARKER. Yes, sir. The Government pays the provisioning of the ship, too.

Mr. CONNALLY. It does?

Mr. PARKER. It pays all bills.

Mr. CONNALLY. In the case of the *Leviathan*, have you charge of that?

Mr. PARKER. No, sir.

Mr. CONNALLY. The wharfage?

Mr. PARKER. No, sir.

Mr. CONNALLY. Do you know what the wharfage charges of that boat are?

Mr. PARKER. I do not know at all. I was told to keep my hands off of that ship, away back in the early part of 1919.

Mr. CONNALLY. Is it still over at the Hoboken pier?

Mr. PARKER. Yes, sir.

Mr. CONNALLY. You spoke a while ago of the Green Star Line. Are you familiar with the officials of that company, to know who they are and so on?

Mr. PARKER. No, sir; I am not. I know the port captain.

Mr. CONNALLY. Do you know Mr. Gillen, who used to be connected with the Shipping Board?

Mr. PARKER. No, sir; I never met him.

Mr. CONNALLY. You do not know whether he is connected with the Green Star Line or not?

Mr. PARKER. No, sir; I do not. I only know Capt. Jeffreys, the port captain.

Mr. CONNALLY. That is all, I believe.

The CHAIRMAN. Mr. Foster.

Mr. FOSTER. No questions.

The CHAIRMAN. Captain, there is one matter I forgot to inquire about. Are there some licenses known as "red-ink" licenses?

Mr. PARKER. Yes, sir.

The CHAIRMAN. Popularly so termed; what are they?

Mr. PARKER. There are a few still.

The CHAIRMAN. What are they?

Mr. PARKER. Well, they are men who were aliens prior to the war. They took the oath of allegiance, took out first papers, and were granted a "red-ink" license; that is, instead of the writing being in black ink it was in red.

The CHAIRMAN. That indicated that they were not citizens of the United States?

Mr. PARKER. That indicated that they were not citizens. It was just a war measure.

The CHAIRMAN. Well, are there quite a few of those outstanding at present?

Mr. PARKER. Quite a few of them; yes, sir.

The CHAIRMAN. And they are upon ships operated under the M. O. agreements?

Mr. PARKER. Some; yes, sir.

The CHAIRMAN. And under the division of operations?

Mr. PARKER. No, sir; we get them out of there just as quick as we can.

The CHAIRMAN. Well, all there are, then, as far as the Shipping Board is concerned, are operating ships under the M. O. agreements?

Mr. PARKER. Yes, sir.

The CHAIRMAN. And do they hold their ships while citizens are ashore, seeking ships?

Mr. PARKER. In some instances; yes, sir. We have been authorized, if a man has only two or three months' period to run before he gets his full citizenship papers and he has performed his duty in a proper manner, it is not good form to remove him.

The CHAIRMAN. Well, with reference to the general situation here in New York as of January 1, 1921, including wharfage, repairs, operations—all matters which you have to do with and which are under your supervision and jurisdiction—would you say that the situation is better now than it was on January 1, 1920?

Mr. PARKER. I think so, sir.

The CHAIRMAN. And do you think that there is still room for improvement?

Mr. PARKER. I do, sir.

The CHAIRMAN. And that the board, through your efforts, and your associates under you, is constantly making attempts to improve conditions?

Mr. PARKER. We are, sir.

The CHAIRMAN. Now, are you saving money by reducing expenses, do you think?

Mr. PARKER. That is our motto, sir; that is our aim.

The CHAIRMAN. Well, have you effected a saving during the past year, from January, 1920, to January, 1921?

Mr. PARKER. Oh, I feel sure that our ships are being operated much more economically and better now than they have ever been.

The CHAIRMAN. With reference to your personnel, are you improving that, getting better men, more experienced men?

Mr. PARKER. Yes, sir; we are. We are weeding out the undesirable just as fast as we can get our hands on them. We stand no nonsense with them at all.

The CHAIRMAN. And are you putting experienced and qualified men in their place?

Mr. PARKER. Yes, sir.

The CHAIRMAN. Do you think you have got a fairly efficient force at the present time here in New York, as far as your department goes?

Mr. PARKER. In the office, do you mean?

The CHAIRMAN. As far as your department goes.

Mr. PARKER. Well, with so many of these ships coming over from managers and operators in a dilapidated condition in many instances, I think we will have to increase our force, to do justice. We have to distribute them around in the off-lying districts here in New York, so that it takes a good deal more time to get around to them. I think that in the near future we will have to ask for an increase in the personnel in regard to taking care of these ships.

The CHAIRMAN. Captain, you wrote a letter after going through this report which was furnished you the last time you were here.

Mr. PARKER. Yes, sir.

The CHAIRMAN. Will you look and see if that is the letter which you wrote [handing witness paper]?

Mr. PARKER. This is it, sir.

The CHAIRMAN. I think that we have inquired about all the matters you mentioned in that letter?

Mr. PARKER. Yes, sir.

The CHAIRMAN. Unless you think of anything else there?

Mr. PARKER. No; I think you have gone through it pretty thoroughly, sir. I think you have gone through it pretty thoroughly.

The CHAIRMAN. There is just one sentence here, Captain, that I would like to direct your attention to, and ask you if you are of that opinion still:

The public knows there has been a great many errors taken place in the United States Shipping Board, which is bound to occur in any organization of such magnitude, but I do believe that if there had been a greater scrutiny in the selection of officers in the different departments, and a more practical and experienced class of men engaged, we could have overcome a great many of these errors.

Mr. PARKER. Of course, that is a pretty broad assertion, sir. I must admit that in putting such a fleet of ships into commission at the time, requiring so many draftmen and so many riveters and so many machinists and so many captains, mates, and engineers, we had to take on undesirables and incompetents.

The CHAIRMAN. That is what I was about to ask you.

Mr. PARKER. Yes, sir.

The CHAIRMAN. Of course, the available supply of competent, qualified, and experienced men was not equal to the demand?

Mr. PARKER. No, sir.

The CHAIRMAN. But do you think now it is possible to get a competent force to supervise this fleet?

Mr. PARKER. Yes, sir.

The CHAIRMAN. You do?

Mr. PARKER. Yes, sir; I do. I feel positive of it.

The CHAIRMAN. And as I understood you to say, you felt that if the Government got proper personnel—men of experience—they could operate this fleet as efficiently and economically as private operators?

Mr. PARKER. I have no reason to doubt it, sir; not at all, if we get the competent men. We want competent men—give them the proper compensation for their services. You can not get a high-class man on a small salary, but there are men available, and sufficient in number, I believe, if you give them the proper compensation, to operate these ships. Understand me—

The CHAIRMAN. Well, now, of course, proper men and proper compensation would not overcome the excessive charge for wharfage here in New York, would it?

Mr. PARKER. Yes, sir; it would.

The CHAIRMAN. How would it?

Mr. PARKER. By dogging them to it.

The CHAIRMAN. By what?

Mr. PARKER. By keeping persistently at them and compelling them to come down. They told me when I took charge of this wharfage proposition that I was going to meet with such obstacles that I could not overcome them, that I would become so disagreeable to the public around here that it would be uncomfortable for me.

The CHAIRMAN. Well, did you?

Mr. PARKER. I have not been made uncomfortable at all.

The CHAIRMAN. Have you secured any reduction?

Mr. PARKER. I have certainly, sir.

The CHAIRMAN. Well, have you got it down to the State side in any case yet?

Mr. PARKER. In many cases, yes, sir; many cases.

The CHAIRMAN. Have you eliminated the operators leasing piers and charging that?

Mr. PARKER. No, sir.

The CHAIRMAN. You have not got at that yet?

Mr. PARKER. No, sir; do not dare to tamper with that until I am given that authority.

The CHAIRMAN. Oh, that is out of your jurisdiction?

Mr. PARKER. Yes, sir; managers and operators. Of course, if we found out, as in this M. H. Tracey proposition, I am in communication now with Washington on two ships for which they are paying \$50 a day, dead ships. I am paying for our ships under the division of operations, much larger ships, \$30 a day.

The CHAIRMAN. Do you think you can cure that if they should give you authority?

Mr. PARKER. I am certain of it, sir. The trouble is that there are too many fingers in the pie.

The CHAIRMAN. I see. You think it is a matter of organization?

Mr. PARKER. Yes, sir.

The CHAIRMAN. And that could be adjusted?

Mr. PARKER. Give us the competent men, men of bulldog tenacity, that will go at it in the proper manner, and we will accomplish it all.

The CHAIRMAN. You mean by bulldog tenacity, some old sea-dogs?

Mr. PARKER. Yes, sir. I do not believe that a barber or a shoemaker should have anything to do with marine affairs.

The CHAIRMAN. Is there anything further, Mr. Steele?

Mr. STEELE. There is just one matter here, Captain, that was not clear to my mind. I understood you to say in your examination in chief that there were certain charges, fixed by either State or municipal regulation, for wharfage.

Mr. PARKER. Yes, sir.

Mr. STEELE. Regulated on the tonnage of the vessel, on a sliding scale?

Mr. PARKER. Yes, sir; on the tonnage of the ship. Well, no; based on the tonnage; 2 cents per ton for the first 200 tons, and one-half a cent on the balance.

Mr. STEELE. Well, now, by what authority is that regulation made?

Mr. PARKER. By the New York dock authority.

Mr. STEELE. If it is a matter of municipal regulation, where is there room for this difference in charges?

Mr. PARKER. Why, they lease the docks, do you see; for instance, here is a party, John Doe we will say, leases Pier 9, North River, at a certain rental for a certain period of time. The lessee has the privilege of charging whatever he likes for that dock.

Mr. STEELE. Then there is no use in the regulation?

Mr. PARKER. Well, the only regulation is where we lease direct from the State.

Mr. STEELE. That is, where the State itself owns the docks?

Mr. PARKER. Yes, sir. Well, the State does own the docks in many instances, but they sublet. They lease out to another party.

Mr. STEELE. Yes, but is their lease not subject to making the charges that are fixed by the municipal or State authority?

Mr. PARKER. To their lessee, but their lessee can sublet at any charge that he wants.

Mr. STEELE. That is a feature of it I do not understand. If a regulation could be obviated in that way, or practically set aside, it is of no benefit to the public.

Mr. PARKER. No; I am getting dockage from Todd's Shipyards, both at Tiebout's, Clinton Street and Robbins, for 2 cents a ton, as I say, on the first 200 tons, and half a cent on the balance; and I am getting it from some other outside concerns, the same way. But we have a bunch of profiteers here in the dock business that are charging us any price they want.

The CHAIRMAN. Well, is there any indication of any combination of these people to keep the price of dock charges up?

Mr. PARKER. I think they are getting pretty well broken up. I think there was.

The CHAIRMAN. Has there been?

Mr. PARKER. Yes, I think there was. I could not swear to it, but I think so.

The CHAIRMAN. Well, I mean, from the prices that were charged?

Mr. PARKER. Yes, sir.

The CHAIRMAN. For ships which came under your jurisdiction.

Mr. PARKER. Yes, sir, I think there was a pool.

The CHAIRMAN. It appeared to you that there might have been a pool?

Mr. PARKER. Yes, sir.

The CHAIRMAN. Is there anything further, Mr. Connally?
Mr. CONNALLY. You were in the shipping business, were you, Captain, before you came with the Shipping Board?

Mr. PARKER. I started going to sea, sir, when I was about 14 years old.

Mr. CONNALLY. And have been in the game all your life?

Mr. PARKER. All my life.

Mr. CONNALLY. That is all.

The CHAIRMAN. Any questions, Mr. Foster?

Mr. FOSTER. Nothing.

The CHAIRMAN. That is all, thank you, Captain. Mr. Burke.

TESTIMONY OF MR. EDWARD C. BURKE.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. What is your name, Mr. Burke?

Mr. BURKE. Edward C. Burke.

The CHAIRMAN. What is your business or occupation?

Mr. BURKE. Business representative of the International Brotherhood of Boilermakers at the present time.

The CHAIRMAN. Where is your home?

Mr. BURKE. No. 4923 Fifth Avenue, Brooklyn, N. Y.

The CHAIRMAN. Brooklyn. Are you familiar with ship construction or ship fitting?

Mr. BURKE. Ever since I have been a boy.

The CHAIRMAN. What departments have you worked in in ship construction?

Mr. BURKE. In the constructing of hulls.

The CHAIRMAN. Constructing of hulls?

Mr. BURKE. Yes, sir.

The CHAIRMAN. Did you work in any shipyards during the war, when the United States Emergency Fleet Corporation was building ships?

Mr. BURKE. At the latter part of the war.

The CHAIRMAN. Latter part of the war?

Mr. BURKE. I was in the Navy during the war, about——

The CHAIRMAN. Oh, you were in the Navy?

Mr. BURKE. In the Navy.

The CHAIRMAN. In what capacity, Mr. Burke?

Mr. BURKE. Chief carpenter's mate.

The CHAIRMAN. On what craft?

Mr. BURKE. I was in charge of the fleet supply station.

The CHAIRMAN. Where?

Mr. BURKE. Foot of Twenty-third Street.

The CHAIRMAN. In New York?

Mr. BURKE. New York City.

The CHAIRMAN. After you left the Navy, where did you go?

Mr. BURKE. I went to work as assistant foreman over in the Standard Shipbuilding Corporation, Shooters Island.

The CHAIRMAN. Shooters Island. What ships did you work on?

Mr. BURKE. I worked on the hull called hull 13.

The CHAIRMAN. Hull 13?

Mr. BURKE. Yes.

The CHAIRMAN. Do you know or did you know a Mr. Purcell over at that yard, a riveter?

Mr. BURKE. I do not believe he was there during my time, because the hull had just started. We just had a few of the plates on the bottom, and the vertical keel up.

The CHAIRMAN. Well, how long were you at Shooters Island, in this yard?

Mr. BURKE. I was there, I should say, about two months.

The CHAIRMAN. Two months?

Mr. BURKE. About that.

The CHAIRMAN. Did you see any defective riveting going on over there?

Mr. BURKE. Why, I saw all bad work. The reason why it was bad, hull 13 was the last of a type of ship that was getting finished up there, and they had laid out a lot of this work for all these ships together. What was left over in the piles they threw over on to hull 13. When I took charge of the hull the vertical keel was up there, and some of the bottom, and they were trying to work in five plates that had come over from the other end of the yard, and I was trying to supervise the regulating of them to get them in, and when we would push one plate we would find out that the row of holes was blank, so we worked that way for time and time and time again. And on the other side of the ship, C. 22 was the number of the plate, it was laid off for another ship and they put it in on that ship, and when we turned it over the only place they could put it in the counter-sinks were on the wrong side.

The CHAIRMAN. Well, were you foreman there then?

Mr. BURKE. I was foreman there.

The CHAIRMAN. Did you let that work go through?

Mr. BURKE. I called the attention of one of the inspectors over there, the Shipping Board inspectors. I had nothing to do with the work coming over, as long as it was gotten up. It was not my duty to see whether it was in proper shape or not. I was told to get it up there the best way it was.

The CHAIRMAN. Well, if you had a plate come over with a place for the rivets to go through all blank, you could not put any rivets through, could you?

Mr. BURKE. No; the plates were punched.

The CHAIRMAN. Oh, you had them punched?

Mr. BURKE. They were punched, and they were trying to regulate them together.

The CHAIRMAN. Oh?

Mr. BURKE. I quit over the job. I couldn't stand there and bring about any production, and there was no use of my wasting time.

The CHAIRMAN. You mean on account of this work on hull 13 you quit?

Mr. BURKE. I quit on account of that.

The CHAIRMAN. Well, now, did you see any improper riveting going into that job?

Mr. BURKE. Yes; I saw all kinds of bad riveting.

The CHAIRMAN. Do you know what became of that hull?

Mr. BURKE. I could not say what became of the hull.

The CHAIRMAN. Do you know that the ship was launched?

Mr. BURKE. I don't know. I left shortly after. They tried to work in these plates, and I knew they had brought the acetylene welders down there, and welders and welded up the holes in the nighttime, and I was not much interested after I saw the way that things were going. I thought that I would go back into the repair yard.

The CHAIRMAN. Where did you go then?

Mr. BURKE. I went to the Morse Dry Dock & Repair Co.

The CHAIRMAN. Were they doing work on Government ships?

Mr. BURKE. Yes; they were. I went in there and took out the bottom of the steamship *Pequot*.

The CHAIRMAN. Was she a United States ship?

Mr. BURKE. Yes; just turning over to the Shipping Board she was at that time. She had run ashore and was getting a new bottom in.

The CHAIRMAN. Well, now, what were you there?

Mr. BURKE. I was assistant foreman.

The CHAIRMAN. Assistant foreman in the Morse Dry Dock & Repair yard?

Mr. BURKE. Yes, sir.

The CHAIRMAN. Well, did they turn over the *Pequot*?

Mr. BURKE. Well, they turned over the *Pequot* in very bad condition.

The CHAIRMAN. To the Shipping Board?

Mr. BURKE. Yes.

The CHAIRMAN. Had she been put in there for repairs?

Mr. BURKE. She was in there for repairs, and I also left the Morse Dry Dock before she went off the dock. She went to Hoboken and was loaded over there, and I believe that they had to discharge her cargo again and go all over the work in the forepeak, she was leaking so bad.

The CHAIRMAN. Where did you go to work then?

Mr. CONNALLY. Mr. Chairman, may I ask right there, is this Morse or Moss?

Mr. BURKE. Morse Dry Dock & Repair Co.

The CHAIRMAN. M-o-r-s-e?

Mr. BURKE. Yes.

The CHAIRMAN. That is the Morse Dry Dock, down yonder here.

Mr. BURKE. That is about Fifty-sixth Street, Brooklyn.

Mr. CONNALLY. I just wanted to get that right. I did not understand it.

The CHAIRMAN. Did you go to work in any other dry-dock company or repair yard?

Mr. BURKE. I pretty near worked in all the yards around.

The CHAIRMAN. Afterwards?

Mr. BURKE. Yes; just working around.

The CHAIRMAN. Did you ever work on any other Shipping Board ship?

Mr. BURKE. I worked on the steamship *Moline*.

The CHAIRMAN. Where was she being repaired?

Mr. BURKE. Why, she came from the Pusey & Jones yard, Wilmington, Del., and was turned over to Arthur Tickle & Son. We done about \$15,000 worth of work on her after she came over here. We went to sea on her for 12 hours; a very nice trip we had.

The CHAIRMAN. Why?

Mr. BURKE. Why, she had no pipe coverings over the guards, in the way of the winches for loading cargo. The pipes were all bare. For a cargo it is necessary for them to have pipe covering.

The CHAIRMAN. That 12 hours at sea was simply her sea trial trip, was it not?

Mr. BURKE. Yes; but we were not working on her all the time. She took us Saturday afternoon; we went to sea on her Saturday afternoon at 12 o'clock. Then we were getting paid 2 hours for 1 Saturday afternoon, and the job was finished about 4 o'clock Saturday afternoon, and then we were paid Sunday, all day Sunday, or all Saturday night and all day Sunday up to 7 o'clock Sunday night, before she got back to port again.

The CHAIRMAN. Well, you mean just because you were aboard the ship while she was at sea?

Mr. BURKE. Yes.

The CHAIRMAN. So you were not doing any work?

Mr. BURKE. No.

The CHAIRMAN. They paid you this double time?

Mr. BURKE. Two and a half for one in the night, and double time in the day.

The CHAIRMAN. During your work in the construction yards and repair yards, have you noticed the Government inspectors around?

Mr. BURKE. I have. I have been acquainted with them, with some of them.

The CHAIRMAN. The Shipping Board inspectors, I mean?

Mr. BURKE. Yes, sir.

The CHAIRMAN. Well, have they had enough of them?

Mr. BURKE. Well, it was not enough. Men who were competent for carrying out that kind of work would not carry it out faithfully, because if they did they were discharged.

The CHAIRMAN. Do you know of instances such as that?

Mr. BURKE. Well, I met what's his name, from the Submarine, that was discharged for turning over the work; I spoke to an inspector on hull 13, on hull 12 in the Staten Island Shipbuilding yards, and brought the attention to him of the bad work that was going on. I walked over on hull 12, and looked over the work there and saw the same condition. I went into the other ships, hull 10, and saw the same condition, and I says, "What do you think about that?"

The CHAIRMAN. Who was this fellow to whom you were talking?

Mr. BURKE. An inspector by the name of Lind. He says to me, "What can I do about it? If I open my mouth about this I sacrifice my job. I have got my family to look after. Let somebody else do it?" I talked to the inspector—

The CHAIRMAN. Was he an experienced man?

Mr. BURKE. He was an experienced man, had been a shipfitter since I was a boy.

The CHAIRMAN. What would you say to hull inspectors being Government inspectors, the same as the steamboat or steamship inspectors?

Mr. BURKE. Well, they would have to amend the law first. A hull inspector now, a practical shipbuilder, can not go up and make application for the position of hull inspector.

The CHAIRMAN. Why?

Mr. BURKE. Because you need a master's license to put your application in as hull inspector in the Government, therefore the practical man is barred. Now, the captain of a ship is a master, he may know his ship, he may know his deck work, his rigging and navigation, but he does not know the construction of a hull.

The CHAIRMAN. Do I understand that you believe the men who inspect ships that are being repaired or built by the Government, should have the same qualifications as the steamboat inspectors and the hull inspectors in the steamboat service?

Mr. BURKE. They should be granted the privilege, your honor; they should be granted the privilege of competing in examinations. No man should be classed as an inspector of hulls to pass on work unless he has 10 years' experience as a shipbuilder.

I took the *Boston Bridge*, I was working for a concern and ran across the *Boston Bridge*, a brand new ship that just came out. I do not know what yard she was from; she was either from the Submarine or the Federal yard, the *Boston Bridge*. We had a job on her, and I just went over and examined her. I went down her forepeak, as the place to look for these things, and I put my hand in between the frame and the shell. I could take the liners in the bulkhead, on the collision bulkhead, and throw them up like that [indicating]; they were not in their places; there was one rivet stuck in and dropped down.

The CHAIRMAN. Do you know whether that was remedied later, before she was put out?

Mr. BURKE. She was loading then at the pier, going to sea. I took my knife and ran over the front of the bulkhead and found lead rivets in her.

The CHAIRMAN. Did you report it to anybody?

Mr. BURKE. There was some gentlemen came down on the pier with my foreman, and I hung my hat on a rivet on the hull of her—hung my hat on a rivet; and I took and showed them back in the afterpeak, and they didn't say nothing to me, and I thought—I looked up at the frames in the stern, and I seen the water was coming through there, and I went back there and I looked at the frame. The frame was so that I could stuff my fist under, and it was packed in there with wooden wedges and tallow.

The CHAIRMAN. Did you report it to anybody down there?

Mr. BURKE. I reported it to my boss, about the way the boat was built and constructed. He said that is none of our business; we are here to do that tank, stop that tank, that oil tank, from leaking. They had an oil tank leaking into the fresh-water tank. He says, we have nothing to do with them. So the next day I was removed from the *Boston Bridge*.

The CHAIRMAN. By your boss?

Mr. BURKE. By my boss. I was ordered to the *Neshanic*.

The CHAIRMAN. Now, you say you are the business representative of what?

Mr. BURKE. I am the business representative of the International Brotherhood of Boilermakers and Iron Shipbuilders.

The CHAIRMAN. What is that, a union?

Mr. BURKE. That is a labor organization, taking in the entire country and Canada.

The CHAIRMAN. Oh, yes. You have headquarters here in New York?

Mr. BURKE. Yes, sir.

The CHAIRMAN. And do they do work upon Shipping Board ships?

Mr. BURKE. All of our men work on these. I represent all the shipbuilders in the port of New York.

The CHAIRMAN. How long have you been a member of that organization?

Mr. BURKE. About 20 years; 18 or 20 years.

The CHAIRMAN. Was any of this difficulty at the Standard Shipbuilding concern or at the Submarine Boat or at the Morse Dry Dock or the other yards that you worked at the result of any labor difficulties between the open and closed shop?

Mr. BURKE. We never had any difficulties in regard to labor during the war. We tried to help them out all we could.

The CHAIRMAN. Well, since the war?

Mr. BURKE. Since the war we have not had any trouble, only the 1st of October, I believe, of last year, when we asked for an increase in wages.

The CHAIRMAN. No; but I meant at these yards, Mr. Burke; were any inspectors intimidated, was any of this work passed over because of any dispute existing or threatening between members of your organization or any other labor organization, and men who did not belong to it? Did you ever see any of that?

Mr. BURKE. No.

The CHAIRMAN. There was no labor difficulty that entered into that?

Mr. BURKE. No labor difficulties. This work was done by incompetent men.

The CHAIRMAN. You said that you felt that a man, before he could be a hull inspector, ought to have 10 years' experience at construction work?

Mr. BURKE. Yes, sir.

The CHAIRMAN. Well, we would have to waste quite a few years before we could get very many hull inspectors, would we not?

Mr. BURKE. Well, I don't think so. There are lots of them around, but they don't look for them. It is just the same as they have got competent men now in the shipyards; we have a lot of competent men walking around to make these repairs at this time, when this period of adjustment is coming around. We have a lot of men who made the repairs before the war broke out. Now we find ourselves in a position where we have a lot of men in the yards who are able to do a specified class of work, specialists on a single thing, which he will be in there, and he takes the place of a competent man who could practically do any branch of our work. Now, the employer has brought these conditions, and it is impossible for us to remedy them without the help of the employer, and the employer does not seem to want to remedy these conditions.

The CHAIRMAN. Are there any questions, Mr. Foster?

Mr. FOSTER. In other words, it would be a good investment if he was to pay more for the men who have the 10 years' experience, to have them in there and have a job properly inspected, would it not?

Mr. BURKE. No. There is one way to remedy these conditions in the shipyards to-day, and that is easy, to do away with time and material in these shipyards and put it out on a bid, and give the

small shop a chance to bid with these big fellows, and you will do away with all this petty graft that is in here. But as long as the time and material system is in existence in the Shipping Board, you can not do away with it, it is impossible to do away with it. The New York Dry Dock Association has combined here together, that if they want a certain job in the port of New York that yard must get it.

The reason why I know this is because I was working in the Morse Dry Dock and Repair Co. when Mr. Shewan had fallen out of the master's association, and he started to dock ships for 5 cents a ton, when the rate was 8 and 10, I believe, at that time; and Mr. Morse told me, he says, "Eddie, we don't want to have our docks tied up, because we can not afford it. Mr. Shewan is cutting our rates to pieces. Now, we have got to force him back in there, and we have got to keep our docks working." Well, that is from Mr. E. P. Morse's own lips. That is how I know that they have an association formed to get any job that they feel like getting for the individual yard.

So as long as those conditions exist, Mr. Chairman, we can not remedy it.

Mr. FOSTER. How old is this association, the International Brotherhood of Boilermakers?

Mr. BURKE. Why, about 30 years.

Mr. FOSTER. What is your membership?

Mr. BURKE. At the present about 85,000 members.

Mr. FOSTER. What do you say your office is?

Mr. BURKE. Our office is——

Mr. FOSTER. I mean, what is your position?

Mr. BURKE. I am the business representative.

Mr. FOSTER. And what are your duties as that?

Mr. BURKE. My duty is to take care and look after all grievances that may arise in the different yards.

Mr. FOSTER. Throughout the whole jurisdiction of your organization?

Mr. BURKE. I have jurisdiction over New York, New Jersey, and Staten Island, and all of Long Island.

Mr. FOSTER. That is all.

The CHAIRMAN. Mr. Steele?

Mr. STEELE. I think you said it was at the Standard Shipbuilding yards where you saw the bad work being done, riveting?

Mr. BURKE. Well, I have been a short time in all the yards.

Mr. STEELE. Yes; I heard you say that; but the Standard was one of them, was it not?

Mr. BURKE. That was one of them; hull 13.

Mr. STEELE. When you saw that this bad work was being done, did you call any attention to it of your superior officers?

Mr. BURKE. I called the attention of the inspector.

Mr. STEELE. And who was the inspector?

Mr. BURKE. I did not know his name. He was a young fellow, and he was a draftsman, just out of a drafting office.

Mr. STEELE. These men who were doing the work, were they members of your union?

Mr. BURKE. No; this man was a draftsman out of the drafting office. We do not take him in the union.

Mr. SEELE. Well, but these men who did the bad riveting work?

Mr. BURKE. During the war, why, we had to take anybody; the shipyards were allowed to take anybody, regardless of whether he was a union man or not. We did not hold any restriction on them.

Mr. STEELE. There was no restriction during the war. How about after the war?

Mr. BURKE. Now, we have not got much restriction of them now, because we have not got back to——

Mr. STEELE. Normalcy?

Mr. BURKE. No; that is right. Until we can get that class of men out of our yards, why, I could not say much in that line.

Mr. STEELE. You could not say much in that line. As a matter of fact, however, these men who were doing this bad work that you have referred to, were they union men or were they not?

Mr. BURKE. No; nonunion men.

Mr. STEELE. They were nonunion men. And you say you did not report it to your superior?

Mr. BURKE. My superior about the work?

Mr. STEELE. The character of work they were doing.

Mr. BURKE. My superior was over there looking at the work; I did not need to report it to him; he was there looking at it as well as myself.

Mr. STEELE. And who was he?

Mr. BURKE. He was the hull superintendent there.

Mr. STEELE. He was what?

Mr. BURKE. The hull superintendent.

Mr. STEELE. Yes. What is his name?

Mr. BURKE. Mr. Crawford.

Mr. STEELE. His first name?

Mr. BURKE. Walter.

Mr. STEELE. Walter Crawford?

Mr. BURKE. Yes.

Mr. STEELE. You were at the Morse yards, you say, when the *Pequot* was sent out?

Mr. BURKE. Yes, sir.

Mr. STEELE. And there was defective work there, you say?

Mr. BURKE. Well, the work that was being done there had to be done all over again, as far as I heard, after I left.

Mr. STEELE. Well, was it done over again?

Mr. BURKE. Yes, sir.

Mr. STEELE. That is, at whose insistence?

Mr. BURKE. I could not say. I had left the yard before she had been completed.

Mr. STEELE. Well, was the boat in proper condition when it was turned over to the Shipping Board, or the Government?

Mr. BURKE. Was it in proper condition after repairs were made?

Mr. STEELE. Yes; after it was finally turned over to the Government.

Mr. BURKE. I could not say. I did not see——

Mr. STEELE. You do not know in what condition it was when it was finally accepted by the Government?

Mr. BURKE. No. I was not very much interested in that. What I was interested in was, I found the men working on the furnace one night, and I asked them what they were working on, and they said

they were working on the boss plates and the shoe plates of the *E. P. Morse*. I asked them what they were charging their time to. They said they were charging it to the *Pequot*. I says——

Mr. STEELE. Do you know whether that passed the inspector and the auditor?

Mr. BURKE. Why, I don't know, only just what the foreman of the furnace said. Of course, I had no access to the office.

Mr. STEELE. You had no personal knowledge of it, only what the foreman told you?

Mr. BURKE. Well, he was the foreman.

Mr. STEELE. I understand, but all you know is what he told you, is that correct?

Mr. BURKE. And I was privileged to ask him what he was working on.

Mr. STEELE. Yes; that is all right.

Mr. BURKE. I wanted to know what the men were doing there.

Mr. STEELE. But do you know whether the charge was finally made, and that it passed the inspector and the auditor?

Mr. BURKE. Yes; it was made and passed.

Mr. STEELE. You know that, do you?

Mr. BURKE. I know it must have been; the men got their wages.

Mr. STEELE. I do not ask you what must have been. I ask what you know of your personal knowledge.

Mr. BURKE. Well, if it was taken up into the office, I do not know what they did in the books after it passed there.

Mr. STEELE. You do not know what the inspector did, or you do not know what the auditor did.

Mr. BURKE. No; I do not.

Mr. STEELE. Coming down to this Pusey & Jones matter, that was a trial trip, I understood you to say?

Mr. BURKE. Yes, sir.

Mr. STEELE. You were paid two hours for one?

Mr. BURKE. Yes, sir.

Mr. STEELE. And you had three days of that?

Mr. BURKE. Yes, sir.

Mr. STEELE. Did you object to accepting that compensation?

Mr. BURKE. I did not, either.

Mr. STEELE. Didn't you?

Mr. BURKE. I did not.

Mr. STEELE. You accepted it with the others; you thought it was proper compensation at the time, or you would not——

Mr. BURKE (interposing). I believed truthfully, that from the big fellow down to the little fellow, he was getting little bit of everything that was going.

Mr. STEELE. Yes; and you felt you were simply getting your share.

Mr. BURKE. I was right there with them, and I was doing the work, and wanted to be paid for it. As long as they were taking me to sea why I should not object to being paid for it.

Mr. STEELE. No; and you accepted it, the same as the others did, you say?

Mr. BURKE. Why, certainly; that is my pay when you go to sea, when you are taken away from your dock. The worst would have been done otherwise without sending us to sea.

Mr. STEELE. That is your judgment about it?

Mr. BURKE. Yes.

Mr. STEELE. I think that is all.

The CHAIRMAN. Mr. Connally?

Mr. CONNALLY. Well, who decided on taking this trip to sea? Whose business was it to leave just at that time?

Mr. BURKE. Why, the Shipping Board.

Mr. CONNALLY. Well, they had some local man here, did they not? Who was he? They did not order you, from Washington, to leave on Saturday afternoon and go out to sea for two or three days over Sunday, did they?

Mr. BURKE. No.

Mr. CONNALLY. You were connected at that time with the Shipping Board. Who was it who had the right—

Mr. BURKE (interposing). I was not connected with the Shipping Board. I was foreman boilermaker, foreman for the concern that was doing the job.

Mr. CONNALLY. For the Government, or you were in private employment?

Mr. BURKE. Yes.

Mr. CONNALLY. Well, who was it that had the authority, at that yard or elsewhere, to order that ship out for this trial trip?

Mr. BURKE. I do not know.

Mr. CONNALLY. At that particular time?

Mr. BURKE. I could not tell you that, who was there to order the ship out. We were only little peas in this; we were doing the work there, and the ship was ordered to sea, and before the work was done we went to sea.

Mr. CONNALLY. You say she was ordered to sea. How do you know she was ordered to sea, and who ordered her to sea?

Mr. BURKE. Well, she left the dock, and passed down the Bay.

Mr. CONNALLY. Who told you to go on there and go along?

Mr. BURKE. Our foreman from the shop.

Mr. CONNALLY. From what shop, the Morse shop?

Mr. BURKE. Yes.

Mr. CONNALLY. Was this the Morse yard?

Mr. BURKE. No, from Arthur Tickle & Son.

Mr. CONNALLY. Arthur Tickle & Son?

Mr. BURKE. Yes.

Mr. CONNALLY. You say this work was completed at about 4 o'clock Saturday, did you not?

Mr. BURKE. About 4 o'clock Saturday afternoon.

Mr. CONNALLY. Saturday afternoon?

Mr. BURKE. Yes.

Mr. CONNALLY. And what time did you leave?

Mr. BURKE. We left about 1 o'clock in the afternoon.

Mr. CONNALLY. About 1 o'clock; so there was only three hours work on the boat?

Mr. BURKE. That is all.

Mr. CONNALLY. And yet you got three days pay at double time for that?

Mr. BURKE. We got two—

Mr. CONNALLY. Did you make a protest, did you file a protest with anybody about that?

Mr. BURKE. Why, no; I didn't file no protest about it. I didn't feel——

Mr. CONNALLY. Was the expense of that trip paid by the Morse yard, the contractor; I mean Tickle & Son, the contractors, or by the Government?

Mr. BURKE. I could not tell you that.

Mr. CONNALLY. What?

Mr. BURKE. I could not tell you that.

Mr. CONNALLY. When did you first become business representative of the Boilermakers' Union?

Mr. BURKE. Two years ago.

Mr. CONNALLY. Two years ago?

Mr. BURKE. A year ago, I meant to say, about the 1st of January of last year.

Mr. CONNALLY. You were not, then, a representative of the Boilermakers Union at the time you were working in these shipyards?

Mr. BURKE. Oh, no; I was a foreman then. You can not hold a position in the organization as business representative and work.

Mr. CONNALLY. And work?

Mr. BURKE. No.

Mr. CONNALLY. You can not work?

Mr. BURKE. No.

Mr. CONNALLY. That is one of the qualifications?

Mr. BURKE. Yes, sir.

Mr. CONNALLY. This Hull 13, was that at the Standard Shipbuilding Co.?

Mr. BURKE. That was at the Standard Shipbuilding Co.

Mr. CONNALLY. You were foreman there, were you?

Mr. BURKE. Yes, sir.

Mr. CONNALLY. That is where you first saw these defective rivets?

Mr. BURKE. Yes, sir.

Mr. CONNALLY. What wages were you drawing as foreman at that time?

Mr. BURKE. I was drawing \$1.125 an hour.

Mr. CONNALLY. How many hours were you working?

Mr. BURKE. I worked eight hours a day.

Mr. CONNALLY. In other words, you were getting \$9 a day?

Mr. BURKE. Yes, sir.

Mr. CONNALLY. \$9 for eight hours work?

Mr. BURKE. Yes, sir.

Mr. CONNALLY. Well, now, did you make a protest to anybody about these defective rivets and these plates that had the holes punched in the wrong place, and did not have any holes punched in them?

Mr. BURKE. I just took the inspector around and showed the inspector the work that was there, and the boss——

Mr. CONNALLY. Who was the inspector? Let us get that right now?

Mr. BURKE. I could not tell. He was a young fellow out of some drafting office. I asked him where he had learned his trade, was he a shipbuilder? And he said, no, he was a draftsman.

Mr. CONNALLY. Well, now, you say the boss; who was the boss? You called the attention of the inspector, and he did not say anything about it?

Mr. BURKE. Walter Crawford.

Mr. CONNALLY. And then you called Mr. Crawford's attention to it. What did he have to say about that?

Mr. BURKE. No, I did not call his attention to it. He called my attention to try to work them plates in there, to try to get them plates in there; and after working about a week, pulling and hauling there to try to make five or six plates go in some places that they were not made for, I got sick.

Mr. CONNALLY. Now wait a moment right there. When you looked at those plates you knew they were not properly prepared for those places, did you not?

Mr. BURKE. Yes.

Mr. CONNALLY. And you are a technical man in that line, are you not?

Mr. BURKE. Yes, sir.

Mr. CONNALLY. Did you tell Mr. Crawford that they could not be made to work?

Mr. BURKE. I told him that. He said, "Do the best you can to them. They have got to go in there, and put them in there no matter how they go in there."

Mr. CONNALLY. No matter how they go in. That was Mr. Crawford's directions to you?

Mr. BURKE. Yes, sir.

Mr. CONNALLY. To put them in there no matter how they go in there?

Mr. BURKE. No matter how they go in.

Mr. CONNALLY. Where is Mr. Crawford now?

Mr. BURKE. He is the general hull superintendent for the Morse Dry Dock & Repair Co.

Mr. CONNALLY. Still in that position?

Mr. BURKE. Yes. He left the Standard yard to go to the Morse Dry Dock & Repair Co.

Mr. CONNALLY. This Moline float, what yard was that? You say you worked on that?

Mr. BURKE. That was Arthur Tickle & Son.

Mr. CONNALLY. Is that the one that went to sea?

Mr. BURKE. Yes; that is the one that went to sea.

Mr. DONNELLY. Then I believe you say you also worked in nearly all these yards?

Mr. BURKE. Yes.

Mr. CONNALLY. What was your reason for changing so often?

Mr. BURKE. Well, sometimes a job would finish up, like working—the job would finish up, we would have one boat through and the job would finish up, and it would become slack for a week, and we would shift, change.

Mr. CONNALLY. Go to another yard?

Mr. BURKE. There is no special steady work in a shipyard. You may work two or three days or a week in this yard, and get laid off to-night and you go to another yard.

Mr. CONNALLY. I believe you told Mr. Walsh that this defective riveting and defective construction was principally by nonunion men?

Mr. BURKE. Nonunion men. We did not have, in the Submarine Boat Corporation, I do not think we had a union man over there.

Mr. CONNALLY. Over at the Submarine?

Mr. BURKE. No; all nonunion.

Mr. CONNALLY. Did your organization file any protest with the Shipping Board about the employment of these incompetent non-union men?

Mr. BURKE. Well, I could not tell you at that time, because I was not a representative of the Shipping Board or of the boilermakers at that time.

Mr. CONNALLY. On this Boston Bridge boat, were you then connected with the Government or just working for a yard?

Mr. BURKE. No; I was just working for a yard; I was working for Arthur Tickle & Son.

Mr. CONNALLY. Did you call the defects in that boat to anybody's attention?

Mr. BURKE. I called the attention to my boss.

Mr. CONNALLY. Who was your boss?

Mr. BURKE. A fellow by the name of Dave Harris.

Mr. CONNALLY. Dave Harris?

Mr. BURKE. Yes.

Mr. CONNALLY. He was connected with Arthur Tickle & Son?

Mr. BURKE. Yes, sir.

Mr. CONNALLY. Is he still with them?

Mr. BURKE. Yes, sir. I told him what did he think? Stuff like in an ordinary way. We passed, and I said, "What do you think of the work that these fellows are turning out?"

Mr. CONNALLY. What fellows?

Mr. BURKE. Well, at these new yards, I meant them all. I did not know where the Boston bridge came from, I do not know where it was built to-day, but I believe it was built either in the Federal yard or the—

Mr. CONNALLY. Submarine?

Mr. BURKE. Submarine, either one of them yards, because it is the type of boat that they were building.

Mr. CONNALLY. Since you have become business agent for the boilermakers, has there been any controversy at any time with the Shipping Board as to the employment of these nonunion constructors?

Mr. BURKE. No.

Mr. CONNALLY. In these yards?

Mr. BURKE. No. We have no closed shops in the port of New York.

Mr. CONNALLY. Oh, you have not?

Mr. BURKE. No.

Mr. CONNALLY. So there is no controversy on now as to open and closed shops with the Shipping Board?

Mr. BURKE. No, sir. We never had any closed shops in the port of New York.

Mr. CONNALLY. I think that is all.

Mr. BURKE. My question was that if an inspector—a hull inspector—goes along and carries out—if I was appointed inspector of hulls to-morrow, I could not truthfully do my duty. That is plain and simple. I do not think that I could go along and do my duty as it should be, because as soon as I would do it that I would lose my job.

Mr. CONNALLY. Well, why do you say that? Who would fire you? Let us get down to that. You said awhile ago——

Mr. BURKE. That is a question; that the yards have so much political influence that they will not have an inspector; that is the reason that I made the recommendation that the inspectors be taken out and put in under the Government, so that they will not be interfered with by private corporations, to corrupt them.

Mr. CONNALLY. Now, let us see about that. You say that if you were an inspector to-morrow, you could not do your duty or you would lose your job?

Mr. BURKE. That is right.

Mr. CONNALLY. Was that the case with inspectors during the war; at the times you are talking about here?

Mr. BURKE. What is that?

Mr. CONNALLY. Was that true of inspectors during the time that you were talking about?

Mr. BURKE. That was true of the conditions that I found during the war.

Mr. CONNALLY. Well now, tell us a case or two of inspectors who were fired on account of their making criticism of construction.

Mr. BURKE. I believe that I meant——

Mr. CONNALLY. I do not want any beliefs; I want to know something. Now, you say that is true; now tell us one case.

Mr. BURKE. Well, it is true, because I met Purcell here, an inspector in this Shipping Board, and he was discharged for bringing this work before the proper authorities.

Mr. CONNALLY. How do you know that? Did he tell you about it?

Mr. BURKE. He testified before this committee.

Mr. CONNALLY. Well, we know what has been testified. We want to get new testimony now.

Mr. BURKE. Well, I have only taken his testimony, just the same as that.

Mr. CONNALLY. We prefer to know what you know now, Mr. Burke; that is the idea; let us stay down on the ground. You have worked in all these yards and you have had an opportunity of seeing this work go on.

Mr. BURKE. Yes.

Mr. CONNALLY. And you say the trouble has been that these yards have got so much political influence that they have these inspectors fired whenever they honestly discharge their duties. Now, tell us about one case of that kind that you know about.

Mr. BURKE. Well, I talked to the inspectors over in the Staten Island Shipbuilding yard, especially Inspector Lind, and I said to him, "Why don't you make them take that plate off?" A plate on the tank top that never belonged there, ought never to remain there. "Why don't you make them take that off?" "What do you think I am, a damned fool? Do you think that I am going to lose my job?" "Purcell, in the submarine, done that to himself; I am not going to get out."

Mr. CONNALLY. Was this man Lind a member of your union?

Mr. BURKE. He was not.

Mr. CONNALLY. What did he state he was put there to do?

Mr. BURKE. What is that?

Mr. CONNALLY. I say, what did he think he was put there to do? What did he tell you that he was put there to do? You say he told you that he could not criticise anything?

Mr. BURKE. Why, to make reports of the progress of the hull, how far they were advanced; that is all that he ever done.

Mr. CONNALLY. That is all.

The CHAIRMAN. Is there anything further, Mr. Steele?

Mr. STEELE. All you know, then, is the Purcell case and the Crawford case and the Lind case, and that is confined to what these men told you?

Mr. BURKE. Well, I had to go before these men as the boss, and I see these conditions; I have nothing to say only what I have seen and what I have heard. I have went down into a ship, called the *Lake Fielden*. I was working for the Pusey Dry Dock & Repair Co., and I was taking 18 men on the *Lake Fielden*, and when I went down there the chief engineer says to me, "What are you doing with all these men here?" I says, "I am going to do your job, to look over your specifications." He says, "Why, there is nothing to be done here, only caulk up a few leaky staybolts, and a steam underneath the boiler, and two men are sufficient. Send all the other men back to the yard." I said, "All right."

After an argument I sent them back to the yard. I telephoned to the yard, and down came our superintendent, with another man; I do not know this man, they do not tell you who they are. "Who told you to send these men off, Burke?" I says, "The chief engineer." He says, "Come on up here a minute," and he says to the chief engineer, he says, "You are the chief engineer of this boat?" My superintendent was standing there. "Now," he says, "if you don't like this job, get out; and no matter how many men I send down here, if he sends a hundred men down here, don't you interfere with him."

Now, I stood one week on that job on the *Lake Fielden*, with about 18 men. I don't know who that man is; I never seen him before; but our superintendent's name was Plunkitt. Now, the men were sent back there and I had to keep them there.

Mr. STEELE. You stated you were familiar with the testimony of Mr. Purtell before the committee?

Mr. BURKE. I am not familiar with it; I did not state that.

Mr. STEELE. I thought you said——

Mr. BURKE. I said that I met Mr. Purtell here, in the early part of this investigation, and he was over here testifying. I did not even hear his testimony. I heard—he told me that he was discharged.

Mr. STEELE. You referred to his testimony.

Mr. BURKE. I said that he had testified here.

Mr. STEELE. Are you familiar with what the officers of that company testified to with reference to Mr. Purtell's work?

Mr. BURKE. I did not hear any testimony in the case.

Mr. STEELE. You know nothing about that?

Mr. BURKE. No. sir. I only known the actual conditions of what I have seen.

Mr. STEELE. That is all.

The CHAIRMAN. Mr. Foster?

Mr. FOSTER. In other words, you think there ought to be a system devised where an honest man could honestly report the conditions, without having his job sacrificed?

Mr. BURKE. That is just the reason I am before the committee, not that I want to divulge anything about any heads of any shipyard. Mr. Morse I am personally acquainted with, and he is an honest, good, upright man, but his understudies are the men who bring about these conditions, to better their conditions, not the heads of these concerns. There should be some way that these inspectors should be under Government control, the same as the steamship inspectors, but they do not give us a chance.

Mr. FOSTER. They ought to be experienced men and know what they are doing.

Mr. BURKE. They had, just the same as I said before. A hull inspector, if I was to make application to-night for a hull inspector in the United States Government, they would send me back an application. On that application would be, "Have you a master's license?" That bars me immediately. And the boilermaker, the practical boilermaker, in the Government, must have been a chief engineer.

Mr. STEELE. Who issues the master's licenses?

Mr. BURKE. The steamboat inspectors. When those laws are remedied so that the practical shipbuilder can compete, and deliver a true report on the question, I believe you can find men in the shipyards big enough to come out and tell you the condition of these ships; but not until then.

The CHAIRMAN. That is all. Is Mr. Baker here?

TESTIMONY OF MR. MYRON C. BAKER—Resumed.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. What is your name, Mr. Baker?

Mr. BAKER. Myron C. Baker.

The CHAIRMAN. Are you employed by the Shipping Board or Fleet Corporation?

Mr. BAKER. Yes, sir.

The CHAIRMAN. In what capacity?

Mr. BAKER. At the present as district comptroller in Boston.

The CHAIRMAN. District comptroller at Boston?

Mr. BAKER. Yes, sir.

The CHAIRMAN. How long have you held that office?

Mr. BAKER. A year and a half.

The CHAIRMAN. How long have you been with the Shipping Board?

Mr. BAKER. Since March 1, 1918.

The CHAIRMAN. What other offices have you held?

Mr. BAKER. I held the position of assistant auditor in the New York District from March 1, 1918, until December 31, 1918; as district auditor in the Gulf District from January 1, 1919, until June 30, 1919; and from then on I have been in Boston.

The CHAIRMAN. Who is your superior officer here at New York?

Mr. BAKER. Who was my superior officer?

The CHAIRMAN. When you were here at New York, who was your superior?

Mr. BAKER. At first there was no superior officer. Well, Mr. Willcox was still auditor at New York during my whole term here. His duties called him to Washington, after I had been here a few months, and I had to report direct to Washington, no one being over me in New York.

The CHAIRMAN. While you were here at New York, were you familiar with the conditions prevailing with reference to the purchasing of supplies and repairs?

Mr. BAKER. Yes, sir. Mr. Willcox had had a great deal of difficulty in getting cooperation from the operating department and what was then the Bureau of Survey; in fact, the entire operating department, covering the purchasing agent, the steward's department, the engine department, and so forth. I became familiar with that on Mr. Willcox's leaving New York, and endeavoring to carry out the fight which he had started, to put the thing on a proper basis for getting proper accounting.

The CHAIRMAN. Did you get it there?

Mr. BAKER. No, we never did.

The CHAIRMAN. Why?

Mr. BAKER. Well, the policy of the operating department did not agree with what we thought was necessary to get complete records, in order that we could properly audit bills and make disbursements.

The CHAIRMAN. Who was in charge of operations then?

Mr. BAKER. Capt. Yates.

The CHAIRMAN. Do you mean the operations department here in New York?

Mr. BAKER. In New York; yes, sir.

The CHAIRMAN. Well, what was the point at issue, Mr. Baker? Can you just tell the committee what it was that you desired to have corrected?

Mr. BAKER. Why, particularly in purchases. The purchasing agent, under Capt. Yates, had authority to make purchases both for ships and for supplies in the Hoboken storeroom. He left contracts to whoever he saw fit at first; later they had competitive bids. He checked the receipt of materials, the quality of materials received, and would approve the bills; the comptroller having nothing whatever to do with it until the approved bill reached the comptroller's department, then he was to enter it in his books and pay it, with no check.

The CHAIRMAN. No check as to whether proper prices were obtained?

Mr. BAKER. No, sir.

The CHAIRMAN. Well, how long did that practice prevail there, to your knowledge?

Mr. BAKER. I do not know just how long. I know it was in existence from March 1, 1918, until December 31, 1918.

The CHAIRMAN. While you were here?

Mr. BAKER. Yes, sir.

The CHAIRMAN. Was Capt. Yates here all that time?

Mr. BAKER. Yes, sir.

The CHAIRMAN. With whom were you trying to get this corrected; with whom did you take it up?

Mr. BAKER. Well, Mr. Willcox first took it up in Washington with the comptroller.

The CHAIRMAN. Who was the comptroller then, when he first took it up?

Mr. BAKER. Well, Mr. W. L. Soleau, I believe was the first comptroller, and later J. J. Nevin. In conferences with Mr. Nevin and Mr. Willcox, they endeavored to get Mr. Rossiter to change the method and tried to get Capt. Yates to change the method, which was not done. We had plenty of reasons to believe that there were irregularities amongst the checkers receiving the goods. That became so apparent to Capt. Yates, through our repeated conversations on the subject, that he saw fit to look into his own checkers to see if our assertions were true, with the result that some of them were found guilty, I believe.

The CHAIRMAN. Was this matter also looked into by the investigation bureau?

Mr. BAKER. Yes, sir.

The CHAIRMAN. Was this practice which you and Mr. Willcox were endeavoring to have changed, resulting in loss to the Shipping Board financially, through excessive costs or improper checks or irregularities in the quantity and quality of material secured?

Mr. BAKER. Yes, sir.

The CHAIRMAN. Do you know whether or not here at New York that practice still prevails?

Mr. Baker. No, sir.

The CHAIRMAN. Or have you no knowledge.

Mr. BAKER. I have no jurisdiction whatever at present.

The CHAIRMAN. Well now, will you tell us what you found with reference to ship control practice from an accounting standpoint, when you were here?

Mr. BAKER. We did not find anything. We tried very hard to get some information from the shipping control committee, with the result that we were turned down, we could not have the information as to the location of our boats. Therefore—

The CHAIRMAN. Was this during the war?

Mr. BAKER. Yes, sir. Therefore we were unable to make proper audits. We were receiving accounts from abroad, or from some ports, and we would have no records to check up the fact that that boat was in that port. We did, however, in time compile records showing the status of every boat, but the shipping control committee would give us no cooperation whatever.

The CHAIRMAN. How about chartering, were there any matters with respect to charter parties?

Mr. BAKER. We could not get any charter parties in those days. They were issued, but the comptroller's department in New York could not obtain copies of them, making it doubly hard—

The CHAIRMAN. Well, how could you account, how could the comptroller's department furnish proper accounting for ships that were out on charters?

Mr. BAKER. It was impossible.

The CHAIRMAN. Did you ever get any records while you were here, as to that?

Mr. BAKER. Yes, along the last of it we began to get better records. However, the accountings for boats on charter parties were a secondary consideration in that time; during the war getting the boats over there was primary. Accounts have come in since that date.

The CHAIRMAN. I see. Well, the Shipping Board need not necessarily have suffered any loss because accounts were much delayed?

Mr. BAKER. They should not have.

The CHAIRMAN. Well, do you know as a matter of fact whether it has?

Mr. BAKER. Why, I can not say absolutely that I do, because I have not audited the accounts.

The CHAIRMAN. What was your business prior to coming to the Shipping Board, Mr. Baker?

Mr. BAKER. I was with the State Street Trust Co. in Boston for about six years.

The CHAIRMAN. As what?

Mr. BAKER. Various positions, up to the assistant secretary's desk.

The CHAIRMAN. How about wharfage here, while you were at the New York office? Do you know anything about the rates being charged for wharfage in those days?

Mr. BAKER. Why, there was considerable controversy in the New York office regarding the wharfage rates. Just before I went with the board there was a meeting at the American Steamship Association, with Mr. W. L. Soleau, to endeavor to establish a rate of wharfage to be charged by all wharves. Mr. Soleau, so he told me, stated that he would allow a rate to be charged by the owners or lessors of the wharves, which was a fair rate at that time.

From previous audits, in so far as we were able to ascertain from the managing agents' books, wharfage was \$150 to \$200 a day at that time, but all of a sudden every one seemed to start in charging about \$300 a day, and in extreme cases as high as \$500. That has been considerably reduced since that date. That brought on a condition where various people were looking for wharves, endeavoring to lease wharves from the city or State, in order that they could rent them to the Shipping Board at an extremely high profit.

The CHAIRMAN. With reference to conditions in the Gulf district, Mr. Baker, when you left here and went to the Gulf district, what can you say as to the conditions you found down there, either as to accounting or otherwise?

Mr. BAKER. When I left New York I had instructions from Judge Nevin to go down and open the district. I arrived in New Orleans and found one boy handling the entire comptroller's work of the Gulf district, a 1,700 mile territory. It was necessary to start a general office in New Orleans, and suboffices in seven ports in the district, which was done under great difficulty, because of the fact that we could not obtain help at that time competent to put into the offices. The managing agents down there knew nothing of Shipping Board methods; they had to be taught, as well as the employees in the offices.

The CHAIRMAN. This was in January, 1918?

Mr. BAKER. Yes, sir.

The CHAIRMAN. Or 1919?

Mr. BAKER. 1919, yes, sir. I did, however, in six months time, get the district in fairly good shape, turned it over to a successor, and I came back to Boston for a vacation.

The CHAIRMAN. Was the accounting up to date down there in the Gulf district?

Mr. BAKER. It was when I left, yes, sir.

The CHAIRMAN. But when you went down there?

Mr. BAKER. When I went down there?

The CHAIRMAN. Yes.

Mr. BAKER. When I went down there there had been no accounting to speak of, because of the fact that all boats in that territory had been assigned to operators north, principally in New York, and the people in the Gulf district had simply been acting as agents for the operators north. Therefore—

The CHAIRMAN. Well, how about the construction accounts, had they all been audited and adjusted?

Mr. BAKER. I do not know. I was in the Division of Operations, and I had nothing to do with that.

The CHAIRMAN. Oh, I see; you were the Comptroller for the Division of Operations?

Mr. BAKER. Yes, sir.

The CHAIRMAN. What did you find when you got to Boston? What was the situation up there?

Mr. BAKER. They had been operating for a year and a half under very peculiar conditions. We had a district agent who had been in the business for some time, and was interested in numerous companies—steamship companies, coal companies, repair yards, ship chandlery, etc.

The CHAIRMAN. Who was he?

Mr. BAKER. Capt. Arthur Crowley. He left the week before I went there. We found that much investigation work had been done before I went there by the investigation department of the Shipping Board, as well as the Navy Department, and I believe the Intelligence Department of the Army had been working on it. Those reports were already in my hands, and I found it necessary to go out among the managers and operators to straighten out an idea which they had through some source that they must do business through one ship chandler or one or two repair yards or they would be liable to have their ships taken away.

After a new assistant director came in there that condition changed. We obtained competitive bids, or had managing agents do it, for supplies, and the ship chandlery business dropped down about 50 per cent.

The CHAIRMAN. The what?

Mr. BAKER. The ship chandlery business dropped down about 50 per cent.

The CHAIRMAN. You mean the amounts paid by the Shipping Board?

Mr. BAKER. Yes, sir.

The CHAIRMAN. Dropped about 50 per cent?

Mr. BAKER. To this one ship chandlery concern.

The CHAIRMAN. Yes.

Mr. BAKER. It took a long time to overcome that condition. The thing did straighten itself out, however, and it is running to-day on a very efficient basis so far as—

The CHAIRMAN. Actual competition is there?

Mr. BAKER. Yes, sir.

The CHAIRMAN. Are you getting better prices?

Mr. BAKER. Better than we were at that time; not as good as we should by any means.

The CHAIRMAN. Well, now, what is the reason you are not getting as good prices as you ought to up in the Boston district now?

Mr. BAKER. Because managing agents are allowed to purchase supplies as they see fit.

The CHAIRMAN. That is under the existing agreement?

Mr. BAKER. All agreements.

The CHAIRMAN. All agreements. Did you find the accounts fairly well up to date when you went to the Boston district?

Mr. BAKER. No, sir; very poorly.

The CHAIRMAN. Had they been brought up?

Mr. BAKER. Yes, sir.

The CHAIRMAN. How many operators are there out of Boston?

Mr. BAKER. There were 11 up to very recently.

The CHAIRMAN. All of them experienced operators, who had previous experience?

Mr. BAKER. No, sir; one or two who are comparatively new.

The CHAIRMAN. Who are they?

Mr. BAKER. Lorence & Co., Inc.; Rogers & Webb; Intercoast S. S.

Co. Those are about the only new ones. There are a couple of other concerns endeavoring to get in Boston at the present time for operation.

The CHAIRMAN. Now, coming back to conditions here in New York; did the same conditions which you have described as to ship supplies and wharfage and chartering exist relative to rates procured for water? Were there any uniform rates for water, or any customary rates?

Mr. BAKER. In New York, do you mean?

The CHAIRMAN. Yes.

Mr. BAKER. Why, I can not say definitely about that at the present time.

The CHAIRMAN. Well, were there any delays in the managing operators' accounts for supplies of water and fuel and repairs?

Mr. BAKER. I do not remember of any just at this minute.

The CHAIRMAN. Coming to the allocation of vessels, Mr. Baker, what procedure in accounting was followed when you were here at New York, after the allocation of a ship to a certain operator? What routes did the accounting system follow?

Mr. BAKER. It should be direct from the managing agent—

The CHAIRMAN. No, no; what did it? What was the procedure?

Mr. BAKER. While I was in New York we had very very few accountings rendered.

The CHAIRMAN. Voyage accountings?

Mr. BAKER. Yes, sir. We were operating, or the Shipping Board was operating, a large number of boats itself at that time. It was really prior; it was prior to the date that we assigned boats for operation, except on requisitioned boats.

The CHAIRMAN. Well, then, after they began assigning them on requisition, was the accounting kept up?

Mr. BAKER. I was out of New York before that.

The CHAIRMAN. Oh, yes. Does the director of operations furnish the comptroller now the information necessary for proper accounting?

Mr. BAKER. He may in some districts. He does not in mine; we have to furnish him with it.

The CHAIRMAN. You furnish the director of operations with information?

Mr. BAKER. Yes, sir. The general orders say he will furnish the comptroller. It seems to be the reverse.

The CHAIRMAN. Well, are there any methods which the operator can use to reduce his indebtedness to the Shipping Board, or to lessen the expense of operation?

Mr. BAKER. You mean, if he saw fit to be a little irregular in his bookkeeping?

The CHAIRMAN. Yes.

Mr. BAKER. Yes, there are many opportunities to.

The CHAIRMAN. Under the existing agreement?

Mr. BAKER. Yes, sir.

The CHAIRMAN. Such as what?

Mr. BAKER. Well, bridge tolls is one thing. He can refrain from reporting demurrage, he can hold that up, not report it to us. If we have proper itineraries, we can check that out and find out what is unreported. If we do not have proper itineraries, it is impossible to detect it.

The CHAIRMAN. How are all those things checked now? Is there not some way of the accounting department checking those things now?

Mr. BAKER. We check them in our office to-day. We have had to build up what is known as a position book department, showing the position of every one of our boats at every minute, from the time it was assigned to our district up to the present time. By the aid of that information we are able to make a complete audit.

The CHAIRMAN. Well, how do you get that information, by wireless from the boat?

Mr. BAKER. No, sir; we get that from various sources; the director is supposed to furnish all of that information, he furnishes part of it; we get reports direct from managing agents, we get it from the reporting agencies, we get it from outside districts, the comptroller's departments, newspapers—information of any sort which we can pick up in correspondence and telegrams passing between various offices of operations or the comptroller's department. We assemble that all on one card, which is really the basis of all audits.

The CHAIRMAN. Do you remember the case of the *Black Star* at Philadelphia, involving fuel oil?

Mr. BAKER. With reference to fuel oil? Yes, sir.

The CHAIRMAN. What was there about that transaction?

Mr. BAKER. The Shipping Board has a contract to purchase fuel oil from, I believe, the Mexican Petroleum in Philadelphia. One of our managing agents, John S. Emery Co., needed fuel oil at Philadelphia, and requested that the same be furnished his boat when it arrived there from Boston. He was informed by the operation department

at Philadelphia to forward a check to the Blue Star Navigation Co. at the rate of something over \$5 a barrel, and when the boat arrived there the oil would be furnished.

When the boat arrived they called on the Blue Star Navigation Co.; they were instructed to go to the Mexican Petroleum, and they would furnish the oil, which they did. The boat then proceeded on her way.

Later the Mexican Petroleum Co. bills our managing agent, John S. Emery, for the oil at a dollar and thirty-odd cents a barrel, instead of \$5 and some odd, a difference of something like \$15,000.

There was another case similar to that, which had come up on——

The CHAIRMAN. Well, now, just before you go on to that other case; do I understand that they had sent the check at \$5 a barrel?

Mr. BAKER. Yes, sir.

The CHAIRMAN. And it was filled at \$1.38 a barrel?

Mr. BAKER. By the Mexican Petroleum Co. The check was sent to the Blue Star Navigation Co., who were to deliver the oil according to the instructions from the division of operations in Philadelphia.

The CHAIRMAN. To the operator?

Mr. BAKER. Yes, sir; to our operator.

The CHAIRMAN. The Blue Star was evidently making the \$3.62 profit, were they?

Mr. BAKER. I don't know.

The CHAIRMAN. Well, was the amount paid charged to the Shipping Board and paid?

Mr. BAKER. The amount had been paid out of our trust fund, a check of twenty-odd thousand dollars.

The CHAIRMAN. Now, you say there was another case?

Mr. BAKER. Another case came up this last week, very much the same. I have not the details on that; I have not had an opportunity to go into it.

The CHAIRMAN. How is the fuel coal purchased in the Boston district now?

Mr. BAKER. You mean bunker coal, I presume?

The CHAIRMAN. Yes; bunker coal.

Mr. BAKER. Well, we have very, very little of that to supply in Boston. It is mostly supplied from Norfolk, where our ships almost always bunker. What little there is is supplied by bunkering people in Boston, at the usual high rates, which the Shipping Board has had to pay.

The CHAIRMAN. How large a force have you got in your department in Boston, Mr. Baker?

Mr. BAKER. At present I am reducing it, in accordance with the reduced amount of shipping which is going on. In August I had one hundred and seventy-odd men; now, or within a week or so, I will have the force cut down to 100.

The CHAIRMAN. How many steamers do you say are operating out of Boston?

Mr. BAKER. They have been operating considerable. Of late we have had as high as 68 off shore—a total I should say of about 100.

The CHAIRMAN. Can you close the accounts of any of these managing operators that are operating Shipping Board ships now?

Mr. BAKER. Not those who have been operating prior to May 1, 1919, because of the fact that all accountings from managers and operators, voyage accountings, were sent direct to Washington up to that time. They have not been audited and returned, so that we are unable to settle.

Since that date Washington has decentralized, and we have been able to settle on accountings since then; that is, we would be able to settle provided the others had been settled up in the first place. I have already—

The CHAIRMAN. Well, suppose it involved the operation of a ship beginning long prior to May 1, 1919, and continuing afterwards down to, say, December 1, 1920, and you wished to strike a balance now and settle up with that concern, could it be done?

Mr. BAKER. No, sir.

The CHAIRMAN. Because of the fact that the transactions prior to May 1, 1919, have not been audited and returned to you.

Mr. BAKER. Precisely.

The CHAIRMAN. Do you know whether they have been audited in Washington, and the balance ascertained?

Mr. BAKER. They have not.

The CHAIRMAN. You know that?

Mr. BAKER. Yes, sir.

The CHAIRMAN. Well, with reference to voyage accountings since May 1, 1919, are kept up fairly well?

Mr. BAKER. Yes, sir. I have every outstanding account in my office, or I did have December 31, of every ship that had finished a voyage after October 21, 1920.

The CHAIRMAN. That was—

Mr. BAKER. Two months behind.

The CHAIRMAN. 60 days, two months. Well, do you think that can be kept up, that accounting?

Mr. BAKER. Yes, sir, I intend to keep it up, if I can.

The CHAIRMAN. Well, I mean, was there anything exceptional about the operations which permitted to get it down within two months?

Mr. BAKER. We had a voyage account drive on, as was the case in every district, instituted by the comptroller.

The CHAIRMAN. Mr. Tweedale?

Mr. BAKER. Yes, sir.

The CHAIRMAN. But prior to that very few voyages had been accounted?

Mr. BAKER. Yes, sir; on account of the disagreements in the managing agreements, between the board and the steamship association.

The CHAIRMAN. When were the instructions for operators' accounts back to March, 1919, issued, do you remember?

Mr. BAKER. November 12, 1920.

The CHAIRMAN. November 12 last?

Mr. BAKER. Yes, sir.

The CHAIRMAN. Were there any other matters down in the Gulf district that came to your attention while you were there which required remedying or from which the Shipping Board was suffering a loss financially?

Mr. BAKER. Yes, sir. They were purchasing everything from ship chandlers, every item that went onto a boat. Ship chandlers were purchasing from wholesalers, and charging a profit anywhere from 20 to 40 or 50 per cent; and without any authority I notified every ship chandler that in the future, if he furnished the Shipping Board with anything that he did not have in stock, the bills would not be paid. I had endeavored to get the managing agents to stop that practice, but could not, so I issued the letter direct to the ship chandlers.

The CHAIRMAN. Then that was very similar to the condition you found at Boston?

Mr. BAKER. Yes, sir.

The CHAIRMAN. And prevailed to some extent here in New York also while you were here?

Mr. BAKER. Yes, sir.

The CHAIRMAN. So that was sort of a general condition?

Mr. BAKER. Yes, sir.

The CHAIRMAN. Was that remedied in the southern district?

Mr. BAKER. Yes, sir.

The CHAIRMAN. And you say, while it has been remedied at Boston, there is room for the Shipping Board still to get better prices at Boston?

Mr. BAKER. Yes, sir.

The CHAIRMAN. Were there any other matters down in New Orleans that you found?

Mr. BAKER. I was in pretty close connection with the investigation department down there, on account of the fact that they were investigating the construction division. Hulls were being completed and turned over to the division of operations. Through personal acquaintance we obtained considerable information from the investigation department, and shipyards, of defects in bolts which made them unseaworthy, unfit for carrying tonnage, and really unfit to operate.

The CHAIRMAN. Wooden boats?

Mr. BAKER. Yes, sir. To safeguard the division of operations, I considered it my duty to hold up such ships, and demand that they be used by the division of operations. We found on many ships there was the question of tree nails. In the Lone Star yard, I believe, the average was five out of sixteen females went through, and went into the planking; eleven of them were dummies.

The CHAIRMAN. You say that was obtained by the bureau of investigation?

Mr. BAKER. Yes, sir.

The CHAIRMAN. Who went down there on that investigation, do you know?

Mr. BAKER. Mr. Richardson obtained the greater part of it. There were other irregularities in ship construction. Some of the boilers and engines were not even bolted in the ship, practically set in as cargo. The only thing that held them in place was the shaft. They were really unfit, in a great many cases, to put a human being on.

The CHAIRMAN. Well, did you find any such instances with reference to that here at New York?

Mr. BAKER. There were no wood ships being built in this section.

The CHAIRMAN. Or up in the Boston district?

Mr. BAKER. Why, we have had more or less trouble with Lake ships coming down, Boston being the port or district which receives most of the late type of boats.

The CHAIRMAN. There were some wood ships built up there, were they not, in that district?

Mr. BAKER. I believe so, but they ended before I went there. We have had a great deal of difficulty with repairs to those boats. A great deal of that has been charged back to the construction or to the 'builders' accounts.

The CHAIRMAN. Well, the wood ship fleet is not one that can be as efficiently or economically operated as the steel ships, is it?

Mr. BAKER. Generally speaking, yes.

The CHAIRMAN. Is it your opinion that this large fleet of wooden ships which the Shipping Board has should be fitted up and equipped for operation?

Mr. BAKER. I do not know what trade the board could put them into and operate them successfully. They might be used as barges for scows or something of that sort very well, but——

The CHAIRMAN. Are there any wooden hulls stored up in Boston or vicinity?

Mr. BAKER. I believe we have one, the *Baason*, coming down from St. Johns, Newfoundland. It has been on the rocks up there for a great many months, at a great deal of expense. I think that is the last one we have, excepting some, I believe, that are laid up in New London, which comes in our territory.

The CHAIRMAN. Was the *Baason* an operating ship?

Mr. BAKER. Yes, sir; she was being operated by—let us see, she was under bare boat charter to the Lorence Navigation Co. She went on the rocks with cargo at St. Marys, Newfoundland.

The CHAIRMAN. By the way, Mr. Baker, have you received any suggestions or caution by instruction or otherwise as to the information you should give this committee by any of your superior officers.

Mr. BAKER. I have been advised to allow questions of policy or opinions to be handled by the general office.

The CHAIRMAN. Well, do you mean to say that if we were to ask you your opinion upon a matter of accounting, you take it your instructions have been not to give this committee the benefit of your opinion, if it is of benefit, but to refer it to somebody else.

Mr. BAKER. Yes, sir.

The CHAIRMAN. Who gave you that information or advice?

Mr. BAKER. The general comptroller.

The CHAIRMAN. Mr. Tweedale?

Mr. BAKER. Yes, sir.

The CHAIRMAN. How long ago?

Mr. BAKER. The last time I was in New York here, before you went to Washington.

The CHAIRMAN. Before the committee went to Washington?

Mr. BAKER. Yes, sir.

The CHAIRMAN. Last November sometime?

Mr. BAKER. Yes, sir; I think it was in November. It was the date before Thanksgiving, I believe.

The CHAIRMAN. From your experience in the accounting division or in the comptroller's department of the Shipping Board or the Fleet Corporation, in the three districts where you have been, I would ask you if the accounting for ship operations is better now than it has been, and if it can be made better than it is at present?

Mr. BAKER. In my office it is very much better than it has been. It will be perfected in the future.

The CHAIRMAN. There is room for improvement, you mean?

Mr. BAKER. Yes, sir; inasmuch as I have a comparatively new audit force for auditing voyage accounts.

The CHAIRMAN. Have you received cooperation from the home office in any suggested improvements or changes made in the accounting methods?

Mr. BAKER. Why, we receive all the general orders that are issued, and we are, I understand, to have periodical meetings in the general comptroller's office to discuss questions which arise from one meeting to another, which might be for the mutual benefit of all divisions.

The CHAIRMAN. Have you had any of those meetings yet?

Mr. BAKER. We have had one.

The CHAIRMAN. That is, the comptrollers from the various districts got together and discussed matters of accounting, and as to how it can be perfected?

Mr. BAKER. Yes, sir.

The CHAIRMAN. And have some of these suggestions been followed out?

Mr. BAKER. Yes, sir.

The CHAIRMAN. What I meant to say was, prior to this first conference, when you have made a suggestion, if you have made any in any of these districts, as to bringing about what you felt were needed changes, have you received cooperation from the home office and have some of your suggestions been adopted, or did they permit you to follow them out?

Mr. BAKER. A great many of my suggestions of late have come out in the form of general orders very shortly after I have made the suggestion. I do not know whether it is my suggestion—

The CHAIRMAN. Perhaps if I put the question the other way: Have you been hampered or hindered in any way by the home office in changing the methods of accounting, or in making improvements in the system, either when you have suggested it, or when others have made the suggestion?

Mr. BAKER. Not recently. Some time ago it was impossible to get an answer to a letter or a telegram.

The CHAIRMAN. How long ago?

Mr. BAKER. Oh, six months ago, I should say.

The CHAIRMAN. Who was general comptroller then?

Mr. BAKER. Mr. Tweedale; just after he took office.

The CHAIRMAN. Oh, just after he became comptroller?

Mr. BAKER. Yes, sir.

The CHAIRMAN. Well, then, there is cooperation between your district at present and the home office as far as accounting goes?

Mr. BAKER. Yes, sir.

The CHAIRMAN. Now, is there any other Shipping Board official up there in Boston besides you, as the district comptroller?

Mr. BAKER. Mr. Lacey is acting district director; Mr. McGregor—

The CHAIRMAN. How many men has Mr. Lacey under him, approximately?

Mr. BAKER. Oh, I should say 30.

The CHAIRMAN. And who else is there?

Mr. BAKER. Mr. McGregor, district manager of construction and repair.

The CHAIRMAN. How many men has he under him?

Mr. BAKER. I should say about 10 or 12; 12, I should say.

The CHAIRMAN. Any other officials?

Mr. BAKER. No, sir. Yes, there is; Mr. Hickey is the representative of the supply and sales division in Boston.

The CHAIRMAN. How many men has he got?

Mr. BAKER. I believe two.

The CHAIRMAN. Two. Is there a concentration plant, or whatever they call it; is there a plant up there where material is assembled?

Mr. BAKER. Assembled? You mean surplus material, etc.?

The CHAIRMAN. Yes, surplus material.

Mr. BAKER. Yes, sir, there is.

The CHAIRMAN. Where is it?

Mr. BAKER. In East Boston. It comes under the jurisdiction of the supply and sales division.

The CHAIRMAN. Is there some construction work going on at Fall River now?

Mr. BAKER. No, sir.

The CHAIRMAN. Any repair work there?

Mr. BAKER. Very little.

The CHAIRMAN. Where is it?

Mr. BAKER. Very little in the district.

The CHAIRMAN. Very little in the district?

Mr. BAKER. At present.

The CHAIRMAN. How long would it take, Mr. Baker, in your judgment, to bring these accounts prior to May 1, 1919, up to date, by a proper audit drive.

Mr. BAKER. You mean provided they were transferred from Washington to me to audit?

The CHAIRMAN. Yes, to the various districts.

Mr. BAKER. I do not know, because I have no idea how many there are. I do not think it would take but a very short time to properly audit them and pass them through the books as they should be.

The CHAIRMAN. Have you had sufficient experience in the accounting to venture an opinion as to whether these ships can be operated to greater advantage to the Government under a bare boat charter basis or under some other form of agreement?

Mr. BAKER. I can not see how they could become a loss on a bare-boat basis, except that they might not be able to put them out on a bare-boat charter. That is the only possibility of a loss.

The CHAIRMAN. That is, that you might not be able to dispose of them under that plan?

Mr. BAKER. Yes, sir.

The CHAIRMAN. Well, there probably would not be any more of them tied up than there are at present, would there?

Mr. BAKER. Of course, that depends on monetary conditions and shipping conditions a great deal. I doubt that—

The CHAIRMAN. Well, under present conditions the Government appoints these operators as its agents and pays all the bills and gives the operator principally a free hand in purchasing supplies or fuel or equipment or for repairs, and the operator collects the freight money and he is permitted to draw upon a trustee's account, and credits it with the moneys received from freight, and then if the accounting is brought up to date some time or other the Government will find out whether they have made any money or not. Is that not about the situation as it is going on to-day?

Mr. BAKER. Yes, sir.

The CHAIRMAN. Well, now, how can they get that information quicker under the existing agreement and get a balance struck?

Mr. BAKER. By following up the boats closer. I have a system in my office to-day, and every managing agent in my district knows that in 20 days after a boat completes its voyage my man is going to be in his office looking for a voyage account, and if he does not have it my man is going to be such a nuisance to him until he gets it that he gets it.

The CHAIRMAN. Well, now, that is a case of where the Shipping Board has to chase it right up.

Mr. BAKER. Precisely.

The CHAIRMAN. That is the system, under your system?

Mr. BAKER. Yes, sir.

The CHAIRMAN. Keep right after it?

Mr. BAKER. Yes, sir.

The CHAIRMAN. Well, should there not be some kind of a proviso in the agreement requiring them to furnish that information within a certain specified time, and in default of doing so they suffer a penalty?

Mr. BAKER. I should think they could; yes, sir. That clause is in our general orders now, but I understand that general orders issued by the Shipping Board to managing agents are no longer a part of the agreement.

The CHAIRMAN. That is something outside of the agreement and does not have to be honored in the observance if the operator does not wish to?

Mr. BAKER. If he does not see fit. I think under our present operations there are changes which might be extremely beneficial to the Shipping Board.

The CHAIRMAN. Well, what are some of them?

Mr. BAKER. The insertion in the managing agreement of a clause relative to purchases on a standard basis, rather than allowing them to go ahead and purchase whatever they want to, and the Shipping Board stand behind them, which really is the meaning of the agreement to-day. If they held the managing agent to a certain standard price per meal, or, with the coal, so many pounds of water must be evaporated to the pound of coal purchased, or pound of water purchased, and in the event of their not obtaining that standard there would be a penalty that would demand of the managing agent that he become efficient or his boats would be reassigned; it would demand

from the steward that he obtain that figure or step on and let somebody else obtain it; it would demand that the engineer keep his engine in repair to attain that efficiency; it would demand that he saw that he got every pound of coal that the boat was charged for, and every pound of water; otherwise he could not obtain efficiency.

The CHAIRMAN. Were some of those matters discussed at this conference of the comptrollers or the accounting officers?

Mr. BAKER. It never has been yet. I have made the suggestion to the general comptroller, but we have had no meeting since. That would simplify auditing to an appreciable amount.

The CHAIRMAN. Did you ever take up the matter of having some of these accounts rendered under oath, certified under oath, by the captain or the steward or the engineer or the port representatives?

Mr. BAKER. That never has been done. The question of bond has been taken up, but apparently nothing done with it so far. If the masters were under bond, if the stewards were under bond, and the engineers were under bond, we would have more efficient men, because men who had committed a crime or who had in some way been so inefficient that the Shipping Board did not want them—and they would have to be pretty inefficient—they would not be able to obtain bonds.

The CHAIRMAN. The committee will adjourn until 9 o'clock tomorrow morning.

Whereupon, at 5.40 o'clock p. m., the committee adjourned to meet at 9 o'clock a. m. Tuesday, January 18, 1921.

SELECT COMMITTEE ON UNITED STATES
SHIPPING BOARD OPERATIONS,
HOUSE OF REPRESENTATIVES,
New York, January 18, 1921.

The committee met in exhibit room No. 6, Hotel Pennsylvania, New York City, at 9 o'clock a. m., pursuant to adjournment on yesterday, Hon. Joseph Walsh (chairman) presiding.

Present also: Messrs. Foster, Steele, and Connally, members of the committee.

TESTIMONY OF MR. MYRON C. BAKER—Resumed.

The CHAIRMAN. Mr. Baker, have you had any jurisdiction over sales of surplus material?

Mr. BAKER. Up until the time when the supply and sales division was supposed to take that work over it came under my jurisdiction as to quantities sold and seeing that the material was offered under competitive bids. And even now scrap material taken from our boats in repair yards still comes under my jurisdiction inasmuch as my time and material checkers report all scrap material to the office, provided the construction and repair contracts with the repair yards do not call for the repair yard or the managing agent to have disposition of it.

The CHAIRMAN. Do you know of any instances where material has been sold at a lower price than would have been secured than by advertising or soliciting?

Mr. BAKER. In the case of the recruiting service, whose headquarters originally were in Boston, there was in the vicinity of \$400,000 worth of clothing disposed of, to reduce the stock on hand, which was sold through instructions given by Judge Payne and ratified later by the board.

The CHAIRMAN. How much was received for it?

Mr. BAKER. About \$82,000.

The CHAIRMAN. Do you know to whom it was sold?

Mr. BAKER. It was sold to the Harding Uniform & Regalia Co., of School Street, Boston.

The CHAIRMAN. What clothing did it consist of?

Mr. BAKER. All clothing used by the recruiting service, such as sweaters, chief petty officers' overcoats, denim trousers, and various other kinds of clothing used by men in the recruiting service.

The CHAIRMAN. Does the Shipping Board furnish clothing to the men on ships?

Mr. BAKER. At that time they did.

The CHAIRMAN. Do they now.

Mr. BAKER. They have up to very recently. The recruiting service has been given instructions to discontinue or practically to go out of existence. When I stated approximately \$400,000 worth of clothing, that meant at prices in thousand lots back in 1917. That price, if the goods had been furnished in 1920, when they were sold, would have been much higher.

The CHAIRMAN. How was that sale effected, do you know?

Mr. BAKER. Capt. Hibbard then was in charge of the recruiting service after Mr. Howard resigned, and he took the matter up personally with Judge Payne and was given absolute authority in the matter of disposition of the entire surplus stock. Capt. Hibbard requested three or four parties to present bids. It was not advertised in the daily mediums, and some who wished to bid on it apparently had no opportunity.

The CHAIRMAN. How do you know that?

Mr. BAKER. Because vendors in Boston came to my office and requested opportunity to bid. They were referred to Capt. Hibbard, and I understood from them, later, were never given an opportunity to bid. They had to go to the purchasers and buy from them at a considerable increase in price over what was paid to the board.

The CHAIRMAN. Did this sale include all the stock they had on hand or only just that part that had been declared surplus?

Mr. BAKER. Only that which was considered surplus by Capt. Hibbard; but in some cases they sold more than they had in stock and they had to even cancel some sales which had already been made. I can say that not only that, but the contract for the sale, instead of being in the usual Government form; that is, requiring certified check, to be presented before the delivery of goods, was in the form that the goods were sold on a 30-day basis. Also a commission was allowed to the Harding Uniform & Regalia Co., which commission was deducted from the purchase price.

The CHAIRMAN. A commission was allowed them, do you say?

Mr. BAKER. Yes.

The CHAIRMAN. What do you mean by allowing them a commission? They bought these goods, and were also allowed a commission for buying them?

Mr. BAKER. Yes, sir. They were supposed to have sold the goods as agents of the Shipping Board at the prices quoted. But instead of that they sold them at a much higher price, and at the same time the board allowed them a commission.

The CHAIRMAN. Do you know how much that commisison was?

Mr. BAKER. It varied from half a cent to 2 or 3 cents or more on each piece.

The CHAIRMAN. When did this transaction occur, the sale of this material?

Mr. BAKER. About a year ago.

The CHAIRMAN. January, 1920, about?

Mr. BAKER. I think it was the latter part of 1919. The collection of the fund was left to me, also the delivery of the goods, inasmuch as the recruiting service in Boston had discontinued business. I objected strenuously to the procedure, but was ordered to remove my objections and allow the sale to proceed.

The CHAIRMAN. Who ordered you to do that?

Mr. BAKER. I received my orders in a telegram from Col. Abadie, then general comptroller of the Shipping Board. He advised me that he had been advised by the board and the legal department to do so.

The CHAIRMAN. Now, as I understand you, this clothing consisted of sweaters—

Mr. BAKER (interposing). I can give you the exact time, if you wish.

The CHAIRMAN. Very well.

Mr. BAKER. I delivered 2,473 blue denim work trousers, which cost \$1.75 each, and the sale price fixed by the board was 50 cents each, less a commission of 5 cents each, which made a selling price of \$1,012.85 for goods which cost the board \$4,327.75.

Also 4,800 blue denim work blouses, which cost the board \$1.75 each, and they sold them for 50 cents each, less a commission of 5 cents each. Also 19,974 watch caps, which cost the board 52 cents each, and were sold for 25 cents each, less a commission of 2½ cents.

The CHAIRMAN. What are they?

Mr. BAKER. Little visored caps, watch caps, they are called, about the same as the caps used by conductors and motormen.

The CHAIRMAN. You may continue.

Mr. BAKER. Also 8,000 apprentices blue woolen trousers, which cost the board \$6.10 each, and were sold for \$2.50 each, without a commission. The cost in that case to the board was \$48,800, and they were sold for \$20,000.

Also 14,991 middy blouses, which cost \$7 each and were sold for \$1.25 each, less a commission of 2½ cents each; the total cost being \$104,937, and they were sold for \$18,363. At that time these blouses were selling in the stores for \$7 each.

Also 4,000 pea coats, which cost the board \$15.12 each and were sold for \$8, less a commission of 10 cents each.

Also 1,000 chief petty officers' hats, which cost the board \$2 each, and were sold for 40 cents each, less a commission of 2½ cents.

Also 100 chief petty officers' overcoats, which cost the board \$19.62, and were sold for \$10 each, less a commission of 10 cents each.

Also 50 constructor's coats, which cost the board \$14.50, and were sold for \$6.50, less a commission of 5 cents each.

Also 50 constructor's trousers, which cost the board \$8.50, and were sold for \$4.50, less a commission of 10 cents each.

Also 100 black silk neckerchiefs, which cost the board \$1.50 each, and were sold for 85 cents each.

Also 2,000 chambray shirts which cost the board 91 cents each and were sold for \$5.75 a dozen. There was no commission allowed there.

The total valuation was—I was wrong in stating that it was approximately \$400,000. It was \$244,312.23, at the exact cost in 1917 in thousand lots, and the shipping board netted \$80,681.79.

Here is the telegram on the subject that I received. (Which telegram was handed to the chairman and returned to the witness.)

The CHAIRMAN. Was this sale brought about by reason of the discontinuance of the recruiting service?

Mr. BAKER. They had not discontinued. They had simply transferred—

The CHAIRMAN (interposing). Then it was not brought about by a discontinuance of the recruiting service.

Mr. BAKER. I can not say that it was; no, sir.

The CHAIRMAN. Is the recruiting service being maintained up in Boston now?

Mr. BAKER. No, sir.

The CHAIRMAN. Does the Shipping Board or the Fleet Corporation have a recruiting service?

Mr. BAKER. They have it up to the present time in Norfolk. Prior to that time the headquarters were in Boston.

The CHAIRMAN. Prior to what time?

Mr. BAKER. Prior to that sale. This sale was in December, 1919.

The CHAIRMAN. Prior to that time the recruiting service was in Boston?

Mr. BAKER. Yes, sir.

The CHAIRMAN. Was there also at that time one in Norfolk?

Mr. BAKER. Yes; as a branch of the Boston office. They had branches all over the country.

The CHAIRMAN. How soon after the sale did the recruiting office in Boston close?

Mr. BAKER. Except for the accounting of it it was all closed at that time, Director Howard having resigned, and all the activities had been transferred to Norfolk at the time of the sale. A great supply of clothing was taken from Boston to Norfolk on one of their own boats.

The CHAIRMAN. Have you had any occasion to look into the matter of the surveys that had been made prior to repairs taking place on ships?

Mr. BAKER. Yes, sir.

The CHAIRMAN. Where?

Mr. BAKER. In the New England district I had been quite interested in that on account of repair bills being audited by my repair cost auditing department. I had found that under the contract existing with the American—I forget the exact title of that.

The CHAIRMAN. The American Bureau of Survey?

Mr. BAKER. The modern contract is the way I always referred to it.

The CHAIRMAN. The Martin-Gardner agreement, do you mean?

Mr. BAKER. Yes, sir. I found that at the beginning of that contract work was not being checked by the Martin-Gardner interests as was anticipated by the contract. The district comptrollers were instructed not to check repairs handled by them.

The CHAIRMAN. Handled by who?

Mr. BAKER. The Martin-Gardner contract. For a short time we discontinued checking repairs which were handled under that contract. But there came to our notice immediately the fact that charges were exorbitant. We then immediately began to check. We found that bills that had been approved for repairs, after being checked and audited, were reduced 25 per cent. Therefore we have continued to check them up to this day, and we are continually reducing the bills. The representative of Mr. Martin and Mr. Gardner now request us to check bills before we approve them, inasmuch as there have been several reductions on prior bills which they have approved.

The CHAIRMAN. What has that all got to do with improper surveys?

Mr. BAKER. Under the Martin-Gardner contract they are supposed to survey a boat when a managing agent requests repairs. There have been numerous cases of boats in Portland, of which we have had many this year, where a master would telephone to his managing agent in Boston, from Portland, requesting certain repairs. The managing agent would ring up Mr. Murphy, the representative of Martin-Gardner, and advise him that repairs were necessary. Mr. Murphy was supposed to make a survey. But instead of making a survey Mr. Murphy would telephone to the captain or the chief engineer, or the steward, whichever it happened to be—I meant to say he would telephone to the managing agent in Boston and request the managing agent to have the captain or the chief engineer or the steward get bids in Portland, which would be done, and telephone the bids back to the managing agent in Boston, who would in turn telephone them to Mr. Murphy. Mr. Murphy would then advise him to go ahead with the work. That contract calls for a fee of from \$50 to \$250 for Mr. Murphy's work in such a case. Mr. Murphy was supposed to have made a survey beforehand, and also a survey to see that the work had been done. But after the work was done the master would telephone to his managing agent and the managing agent would telephone to Mr. Murphy that it had been completed satisfactorily.

The CHAIRMAN. Mr. Murphy represents the United States Bureau of Survey?

Mr. BAKER. Yes, sir.

The CHAIRMAN. Does he have an office with the Shipping Board people up there?

Mr. BAKER. No, sir; he has a separate office.

The CHAIRMAN. Do you know of several instances like that?

Mr. BAKER. There are several; yes, sir.

The CHAIRMAN. That you yourself know of?

Mr. BAKER. That I have been told about by the construction and repair department and by managing agents. We have also called it to the attention of Admiral Benson in our weekly—

The CHAIRMAN (interposing). Did you ever call it to the attention of Mr. Murphy?

Mr. BAKER. No, sir; I never have.

The CHAIRMAN. Did you ever attempt to verify it by asking him if that was so, if he had made a survey?

Mr. BAKER. Personally, no; but the head of the construction and repair department states that he has done so.

The CHAIRMAN. Do you have anything to do with any of the inspectors or checkers up there?

Mr. BAKER. The checkers all come under my jurisdiction for the whole of the New England district.

The CHAIRMAN. How many checkers do you have under your jurisdiction now?

Mr. BAKER. At the present I have 19. The number has been as high as 68 I believe.

The CHAIRMAN. What pay do these checkers get?

Mr. BAKER. \$1,560 to \$1,800 and the chief checker gets \$2,400.

The CHAIRMAN. The chief checker gets \$2,400?

Mr. BAKER. Yes, sir.

The CHAIRMAN. They check time and material do they?

Mr. BAKER. Yes, sir.

The CHAIRMAN. What do they do when there is no repair work going on?

Mr. BAKER. Generally speaking we take time off for the overtime which they have worked, and which has always been more in excess than what has been given them. They always have time coming to them on account of the fact that my force was not sufficiently large to cover the district during the summer months. Therefore they had to work overtime and double time, for which they only got straight time.

The CHAIRMAN. How many checkers do you put upon a vessel that is being repaired?

Mr. BAKER. One.

The CHAIRMAN. Does he take care of both labor and material?

Mr. BAKER. Yes, sir; and sometimes one man to two or three boats, depending upon the conditions in the yards.

The CHAIRMAN. Have you had any instances of undue delay in the making of repairs or the dry docking of vessels up there, or improper materials being sent aboard, or of excessive charges for overtime, or charging for more men than were actually present, or cases such as that?

Mr. BAKER. My total repair bills for the year were reduced 9 per cent. That is the best answer I can give you on that.

The CHAIRMAN. What brought about the reduction?

Mr. BAKER. Just such instances as you have asked me about. Every one of them has been effective in the Boston district.

The CHAIRMAN. Is there room for further reduction, would you say?

Mr. BAKER. Not on the bills that have been passed. I do not think there was a cent more than was due by the board.

The CHAIRMAN. Was this discovered before the bills were paid?

Mr. BAKER. Yes; discovered before the work was done.

The CHAIRMAN. You say that in Boston they do not purchase very much bunker coal?

Mr. BAKER. Very little.

The CHAIRMAN. How about engine room supplies?

Mr. BAKER. There are some of those purchased there. They have been purchased mostly through ship chandlers, but we are discouraging that procedure.

The CHAIRMAN. Is there a warehouse in Boston or in that vicinity where the Shipping Board has material?

Mr. BAKER. Only the surplus materials which they are not using, no live materials such as were kept in Hoboken.

The CHAIRMAN. Is there any material left in that warehouse?

Mr. BAKER. Not new, we have some secondhand, which is practically scrap or a little better than scrap.

The CHAIRMAN. Have you sold any junk up there?

Mr. BAKER. Yes, sir.

The CHAIRMAN. How has that been disposed of?

Mr. BAKER. By competitive bidding.

The CHAIRMAN. Real bidding?

Mr. BAKER. Absolutely. I think we have had as high as nine bidders, and the bids were opened right before them all. A certified check is put up before the goods are delivered.

The CHAIRMAN. Do you know how much junk you have disposed of up there?

Mr. BAKER. Comparatively a small amount. I think it does not run over \$1,000 or \$1,500 a month. That at the present time is being handled entirely by the supply and sales division.

The CHAIRMAN. Does the accounting for it go through your office?

Mr. BAKER. No, sir; or only so far as certifying such scrap material over to the supply and sales division is concerned.

The CHAIRMAN. When it is certified it shows on your books?

Mr. BAKER. Yes, sir.

The CHAIRMAN. But when it is sold the proceeds do not show?

Mr. BAKER. No, sir; that comes through the construction division in New York.

The CHAIRMAN. Any questions, Mr. Foster?

Mr. FOSTER. Mr. Baker, you spoke on yesterday about—Mr. Tweedale, is it?

Mr. BAKER. Yes, sir.

Mr. FOSTER. What is his position?

Mr. BAKER. General comptroller.

Mr. FOSTER. What was it he told you about testifying before this committee, just in substance?

Mr. BAKER. He advised that he would like to have questions of policies or opinions given by the general office.

Mr. FOSTER. Where did he get his information from to issue those instructions to you, if from any person?

Mr. BAKER. I do not know.

Mr. FOSTER. Did he have any communication from Admiral Benson on that point, or do you know?

Mr. BAKER. I do not know.

Mr. FOSTER. Have you heard of such instructions having been given by Admiral Benson to him? In your position had word come to you, or information or suggestion, that Admiral Benson had something to do with those instructions?

Mr. BAKER. I could not say that I have heard that.

Mr. FOSTER. You never heard it intimated until I just now spoke of it?

Mr. BAKER. I have heard it intimated, but——

Mr. FOSTER (interposing). I did not ask if you had proof of it, but wanted to know what you knew about it. What is your position there now?

Mr. BAKER. District comptroller.

Mr. FOSTER. Well, while you have held that position have not you heard that Mr. Tweedale issued those instructions or suggestions to you by reason of instruction to him from Admiral Benson, instructions from Admiral Benson to him along that line; has not that been the general talk?

Mr. BAKER. Why, I have talked it over only with Mr. Tweedale and Mr. Bidwell.

Mr. FOSTER. Well, in those talks was Admiral Benson's name brought in in any way in connection with such suggestion as to testimony before this committee, or do you feel in a position where you would rather not discuss that here?

Mr. BAKER. I will give you the truth of the matter if I can truthfully state it.

Mr. FOSTER. All right.

Mr. BAKER. It was back in December when I received instructions, and I am really a little hazy on the exact conversation.

Mr. FOSTER. How did you receive the instructions, Mr. Baker?

Mr. BAKER. Over the telephone in this hotel from Mr. Tweedale.

Mr. FOSTER. At any time, then or since, have you received anything in writing concerning it?

Mr. BAKER. No, sir.

Mr. FOSTER. Were you here as a witness then?

Mr. BAKER. Yes, sir.

Mr. FOSTER. Did you call him or did he call you?

Mr. BAKER. He called me.

Mr. FOSTER. Who placed him in the position he then occupied, Mr. Tweedale, who employed him?

Mr. BAKER. I could not tell you.

Mr. FOSTER. I mean who was his superior?

Mr. BAKER. Admiral Benson.

Mr. FOSTER. How many years experience have you had that would tend to qualify you to know the duties devolving upon you by virtue of the position you then occupied?

Mr. BAKER. Well, I have been in the accounting field since 1896, and have held several positions.

Mr. FOSTER. And continuously since then your employment has been such as would tend to qualify you to pass judgment upon matters of this nature?

Mr. BAKER. Well, possibly not in the Shipping Board. I mean to say that I have only had three years' experience in the Shipping Board.

Mr. FOSTER. But your other experience has been such as to qualify you to testify on questions that come up, would it?

Mr. BAKER. Well, as to general executive questions I should say yes.

Mr. FOSTER. For my information, what had Mr. Tweedale's business been prior to assuming the present position, do you understand?

Mr. BAKER. I understand he had been auditor of the District of Columbia for a number of years and that he held various other positions while in Washington.

Mr. FOSTER. Can you think of any reason why this committee, if it cared to avail itself of your opinions or judgment concerning matters that might affect the orderly manner in which the Government should have its money expended, should not have that information from you?

Mr. BAKER. Why, I understood the Admiral wished all employees to give their entire support to this committee.

Mr. FOSTER. And by the "Admiral" you mean who?

Mr. BAKER. Admiral Benson.

Mr. FOSTER. Do you know of any reason why Mr. Tweedale should want to run counter to that wish of the Admiral's?

Mr. BAKER. Only possibly to curb his men in giving of opinions which might interfere with the opinions prevalent in the general office on account of information that subordinates might not have.

Mr. FOSTER. This committee, coming from the Congress which provides the funds that are spent under the direction of these different boards, there is no reason why we should not, if we cared to, have perfectly free testimony from people in positions such as yours concerning policies, or your judgment as to how the books should be kept, or how money should be expended, or what system should be adopted, is there? There is nothing wrong with that, is there, that you can see?

Mr. BAKER. Not a particle.

Mr. FOSTER. Did you ever, at that time in your conversation with Mr. Tweedale, or since, hear any reason assigned by him that appealed to your good judgment, as to why we should not ask you about these matters? We can ask you your judgment there, can't we?

Mr. BAKER. Yes, sir.

Mr. FOSTER. Or why this committee should not go into any matter with you, or why that would interfere with the service under Mr. Tweedale?

Mr. BAKER. I can not see any reason, personally.

Mr. FOSTER. That is all.

The CHAIRMAN. Mr. Steele, any questions?

Mr. STEELE. Mr. Baker, you stated a moment ago that you were somewhat hazy about the exact conversation you had with Mr. Tweedale over the phone. Can you give us your best recollection as to the exact phraseology of that conversation?

Mr. BAKER. It was very short. I was simply advised—

Mr. STEELE (interposing). Just give his conversation so that we may interpret it.

Mr. BAKER. He simply told me to refrain from giving opinions, or answering questions of policies which would rest with Washington.

Mr. STEELE. Did you understand that to mean to absolutely refrain if questions were asked you, or from volunteering opinions.

Mr. BAKER. Why, when I am told to refrain from giving opinions I should say it meant all.

Mr. STEELE. That was your interpretation of it?

Mr. BAKER. Yes, sir.

Mr. STEELE. Those opinions you understood to refer to questions of policies that had been fixed by the Shipping Board?

Mr. BAKER. Not all, no.

Mr. STEELE. Well, what?

Mr. BAKER. My opinions as to questions other than policies.

Mr. STEELE. Did he say that? I understood you to use the words "policies of the board."

Mr. BAKER. Opinions or policies.

Mr. STEELE. Opinions or policies of the board?

Mr. BAKER. Opinions of my own, are those which I might have formed on any question which would involve the policy of the board.

Mr. STEELE. Then you understood it to be practically a prohibition against you giving any opinions at all?

Mr. BAKER. I should say so.

Mr. STEELE. Any opinions at all?

Mr. BAKER. Yes, sir.

Mr. STEELE. Did he say anything with reference to any testimony that you might give in regard to facts that have come to your knowledge, with reference to this investigation?

Mr. BAKER. No, sir. I was told to give you all the facts.

Mr. FOSTER. Mr. Steele, may I ask a question right there that I overlooked?

Mr. STEELE. Certainly.

Mr. FOSTER. Mr. Baker, on yesterday, in answering a question by our chairman I understood you to say that you had given some opinions as to the proper policy to pursue concerning duties incident to your office and which had been adopted by Mr. Tweedale and issued in the form of instructions or orders, is that so?

Mr. BAKER. Yes, sir.

Mr. FOSTER. Would your instructions as you interpreted them from Mr. Tweedale prevent you from rendering to this committee similar service, giving to this committee opinions similar to those which had been given to your superior and adopted? Would those instructions prevent you from giving us that sort of opinion?

Mr. BAKER. I would say that from his instructions here I would refrain from giving any opinions, all opinions.

Mr. FOSTER. Can you now think of any reason why this committee should not have the benefit of similar opinions entertained by you as the result of your experience, if such opinions have been adopted by your superiors and put into effect by the issuance of general orders? Can you see anything wrong in this committee having access to such opinions as you may have? Can you see anything that would interfere with the service if this committee should have opinions from you?

Mr. BAKER. Possibly Mr. Tweedale would like to have them before him.

Mr. FOSTER. For his benefit in issuing general orders?

Mr. BAKER. Yes, sir.

Mr. FOSTER. That is all.

Mr. STEELE. Your interpretation of his directions to you was that it included policies and opinions?

Mr. BAKER. Yes, sir.

Mr. STEELE. Not opinions upon the policies but opinions generally?

Mr. BAKER. Opinions on everything.

Mr. STEELE. Opinions on everything?

Mr. BAKER. Yes, sir; on policies as well as on other questions.

Mr. STEELE. How many persons are there in the Shipping Board who occupy the same position that you do?

Mr. BAKER. There is one each at Boston, New York, Baltimore, Philadelphia, Norfolk, New Orleans, and San Francisco; there are seven of us.

Mr. STEELE. Are opinions invited by the Shipping Board from all those as to policies of the Shipping Board before they are promulgated?

Mr. BAKER. Do you mean by the general comptroller?

Mr. STEELE. Yes.

Mr. BAKER. Yes, sir.

Mr. STEELE. They are invited?

Mr. BAKER. Yes, sir.

Mr. STEELE. And sometimes adopted?

Mr. BAKER. Yes, sir.

Mr. STEELE. You understood that the general policy of the Shipping Board was that you were to appear before this committee and give it whatever help you could?

Mr. BAKER. Yes, sir.

Mr. STEELE. On yesterday you referred to excessive charges in New York during the war?

Mr. BAKER. Yes, sir.

Mr. STEELE. Were those charges different from what were charged to private shipowners for similar service?

Mr. BAKER. They were higher than had been charged previous to the conference of the American Steamship Association and the then general comptroller, W. L. Soleau, which meeting was just prior to the time I speak of.

Mr. STEELE. Yes; that was prior.

Mr. BAKER. Yes, sir.

Mr. STEELE. At the time the charges were made I want to know whether they were higher than charges to private shipowners for similar service?

Mr. BAKER. I do not know that I can answer that question because I am not entirely familiar with charges to private owners, at that time.

Mr. STEELE. During the war everything relating to shipping was on a very high basis?

Mr. BAKER. Yes; extremely so.

Mr. STEELE. Rates and all?

Mr. BAKER. Yes, sir.

Mr. STEELE. You also referred on yesterday to the charge for oil by the Blue Star Co., of Philadelphia?

Mr. BAKER. Yes, sir.

Mr. STEELE. Was there any reimbursement to the Government for that excessive charge?

Mr. BAKER. The Government has rendered its check to the Blue Star Navigation Co., through the managing agent, John S. Emery Co., but that has never been finally settled. There is a refund coming

from that check of twenty odd thousand dollars, because the boat did not take the exact amount of oil covered in that check. And the Blue Star Navigation Co. is supposed to return a very small portion of it. We have not passed the charge in my office, you understand for this oil. In auditing the account I ran onto this charge and immediately got in touch with our managing agent, demanding his entire file on the subject. I have had that file sent to our general comptroller for him to do as he sees fit in the absence of an investigation department in my district. I understand now that he is investigating the charge and will advise me the outcome of the whole thing as soon as he finds out.

Mr. STEELE. When was this charge made?

Mr. BAKER. About three months ago.

Mr. STEELE. About three months ago?

Mr. BAKER. Yes, sir.

Mr. STEELE. And the matter is now under investigation?

Mr. BAKER. Yes, sir.

Mr. STEELE. So that the question of whether that excess charge will be allowed to stand is still an open matter?

Mr. BAKER. Yes, sir.

Mr. STEELE. Have you called the attention of the investigation department at Washington to the matter?

Mr. BAKER. No, sir.

Mr. STEELE. Why not?

Mr. BAKER. Because I have had a great deal of experience with the investigation department, and have turned over many cases to the investigation department, and have not had very good results so far. Now, I have changed my method of procedure and am sending them to my chief for him to handle in whichever way he sees fit.

Mr. STEELE. Then do I understand you to question the efficiency of the investigation department of the Shipping Board?

Mr. BAKER. Not the investigation department as a department, but as a department to get results from investigation.

Mr. STEELE. Do you mean to say that it is inefficient as to getting results?

Mr. BAKER. Yes, sir; very.

Mr. STEELE. It is very inefficient?

Mr. BAKER. Yes, sir.

Mr. STEELE. That has been your experience, has it?

Mr. BAKER. Yes, sir.

Mr. STEELE. How extensive has been your experience in that direction?

Mr. BAKER. In New York I think perhaps I was either the originator or gave considerable information on at least 75 per cent of their entire operations. In New Orleans I could not say how many cases I had, but we kept in very close touch with the investigation department, and I turned over many cases to them there.

Mr. STEELE. Then New York furnished the greater proportion of the cases to the bureau of investigations?

Mr. BAKER. I think they furnished a large percentage of them, yes, sir.

Mr. STEELE. And you furnished the information in the Boston office?

Mr. BAKER. Yes, sir; I have even called for representatives from Philadelphia and Washington, and they would come over and investigate certain charges and go back, and that was the end of it.

Mr. STEELE. You also furnished a large number of cases from the New Orleans district?

Mr. BAKER. Yes, sir.

Mr. STEELE. I understand that the bureau has investigated about 2,400 cases. Am I to understand you as saying that you furnished information in about 75 per cent of those cases?

Mr. BAKER. No; but while in New York, as I was told by Mr. Frederick A. Dowsey, now deceased, who was in charge at that time, about 75 per cent of his information came through the district auditor's office in New York.

Mr. STEELE. Can you give us approximately the total number of cases that you furnished information to him about there. I want to get the extent of your experience?

Mr. BAKER. It is in the hundreds, but I could not give you the number.

Mr. STEELE. You could not fix it approximately even?

Mr. BAKER. No; because I had a continual line of investigators, not only from Mr. Dowsey's department, but from the Naval Intelligence, and from the United States Secret Service, and from the Army Intelligence, and from the Department of Justice, in my office a good part of the time looking up information. It was my duty to confer with those people and see that they were getting correct information and to assist them in every way that I could. That was during the war.

Mr. STEELE. Investigators seemed to be pretty busy then?

Mr. BAKER. It seemed to be their headquarters; yes, sir.

Mr. STEELE. Your objection is to lack of results?

Mr. BAKER. Precisely.

Mr. STEELE. Do you know in what proportion of the cases you called to their attention there was lack of results?

Mr. BAKER. No; I do not.

Mr. STEELE. Didn't you follow them up after you gave them the information?

Mr. BAKER. I followed a great many of them and tried to get something through. I have heard that many, many cases had been stopped somehow or other.

Mr. STEELE. I did not ask what you have heard because hearsay is not material to this committee.

Mr. BAKER. No; what Mr. Dowsey had told me.

Mr. STEELE. We would like to have your own information.

Mr. BAKER. Mr. Dowsey of the investigation department had informed me that certain cases would not be tried at the time or could not be handled.

Mr. STEELE. Did he give you the reason?

Mr. BAKER. Why, at that time, yes—that he presented them to the district attorney and to the Department of Justice, and that they could not be handled at that time on account of pressure of business.

Mr. STEELE. And the bureau of investigation at Washington could not have done more than hand the information over to the Department of Justice, so far as producing results was concerned, could it?

Mr. BAKER. Yes, sir; that was done in some cases, and I have had a special assistant from the Department of Justice come to New York to interview me finally in some of these questions.

Mr. STEELE. Yes, but after the bureau of investigation at Washington has investigated a case and handed it over to the Department of Justice, isn't it then up to the Department of Justice to prosecute the case?

Mr. BAKER. Precisely.

Mr. STEELE. Do you think it fair to charge that to the Bureau of Investigation as any dereliction on their part?

Mr. BAKER. Well, I do not know just where the fault lies. I did not follow it on through the entire procedure, through the Attorney General's office in all cases.

Mr. STEELE. Of course not.

Mr. BAKER. But in one or two cases I did.

Mr. STEELE. I am only trying to ascertain the real efficiency of the Bureau of Investigation at Washington?

Mr. BAKER. Yes, sir.

Mr. STEELE. And according to your statement they investigated and gathered together proof and handed it over to the Department of Justice. Then further proceedings were up to the Department of Justice?

Mr. BAKER. It seems to me it was. In one case in particular—

Mr. STEELE (interposing). Referring to this sale of clothing in Boston, which you just referred to: The actual cost of the clothing, as I understood you from your later testimony, was something like \$244,000, instead of \$400,000, which was the figure you originally gave.

Mr. BAKER. Yes, sir. Four hundred thousand dollars represented the cost as of that time, which I had in mind. The actual cost was \$244,312.23.

Mr. STEELE. And the amount realized was slightly in excess of \$80,000?

Mr. BAKER. Yes; it was \$80,681.79.

Mr. STEELE. So that the board realized about one-third of its original cost?

Mr. BAKER. Yes, sir.

Mr. STEELE. This clothing was bought you say in 1917 and was disposed of in December, 1919.

Mr. BAKER. Yes, sir.

Mr. STEELE. Was it purchased in wholesale lots from the manufacturers or how?

Mr. BAKER. Some of it was and some of it was purchased in the cloth and contracts made for making it up.

Mr. STEELE. Some of it had been made up under Government direction?

Mr. BAKER. Yes, sir; or under the directions of the recruiting service.

Mr. STEELE. Did the cost of making it up at that time enter into the total which you have named here?

Mr. BAKER. That was the total.

Mr. STEELE. That represents the cost of the material as well as the cost of manufacture?

Mr. BAKER. Yes, sir.

Mr. STEELE. In 1919 the Government had no further use for this material, I suppose?

Mr. BAKER. That is what Capt. Hibbard said.

Mr. STEELE. Who was Capt. Hibbard?

Mr. BAKER. He was representative of the recruiting service after Mr. Howard resigned as director.

Mr. STEELE. Had he been a captain in the army or navy?

Mr. BAKER. I believe he was a captain on a boat for a good many years before he went into the recruiting service.

Mr. STEELE. Was he a regular employee of the Shipping Board?

Mr. BAKER. Yes, sir.

Mr. STEELE. For that purpose?

Mr. BAKER. Yes, sir.

Mr. STEELE. Was he stationed at Boston?

Mr. BAKER. Yes, sir.

Mr. STEELE. What were his duties?

Mr. BAKER. That I could not tell you. I am not familiar with them.

Mr. STEELE. But he had charge of this particular matter.

Mr. BAKER. Yes, sir.

Mr. STEELE. Was it a part of his duty to dispose of surplus material?

Mr. BAKER. In this particular lot, yes, under a personal letter from Judge Payne, which I saw before going ahead with the sale.

Mr. STEELE. It was disposed of as a whole, as I understood you to say?

Mr. BAKER. Yes.

Mr. STEELE. Was there any advantage in selling it as a whole or in splitting it up?

Mr. BAKER. I do not know. Those arrangements were made with Capt. Hibbard before I had to do with the matter.

Mr. STEELE. Well, it was quite a large quantity of clothing.

Mr. BAKER. Yes, sir.

Mr. STEELE. And what I wanted to know was whether from your knowledge of the situation the stock of goods, considering the market in Boston, could have been more advantageously disposed of by splitting it up than by selling it as a whole?

Mr. BAKER. Well, I know that about everyone I——

Mr. STEELE (interposing). I am asking about your own knowledge and information on the subject?

Mr. BAKER. I felt that it could have been disposed of at higher prices.

Mr. STEELE. You say you felt that way. What reason can you give for that feeling? Is it an opinion or information based on facts?

Mr. BAKER. Because the buyers who came to me and requested an opportunity to bid on it and did not have an opportunity gave me that impression.

Mr. STEELE. To bid on it as a whole or in part?

Mr. BAKER. Either way.

Mr. STEELE. Either way, did you say?

Mr. BAKER. They were willing to bid on it as a whole or in part.

Mr. STEELE. Did you communicate that fact to Capt. Hibbard?

Mr. BAKER. No, sir. I gave that information to my chief, Col. Abadie, in Washington.

Mr. STEELE. Did those requests come to you before the actual sale or afterwards?

Mr. BAKER. Before the actual delivery and receipt of the money.

Mr. STEELE. Before the actual delivery?

Mr. BAKER. Yes, sir.

Mr. STEELE. How about the time of sale?

Mr. BAKER. There were some of them that came before the sale.

Mr. STEELE. Some of them came before the sale?

Mr. BAKER. Yes, sir.

Mr. STEELE. How many?

Mr. BAKER. Two at least that I can remember. It is pretty hard to remember the exact days back a year ago.

Mr. STEELE. You did not communicate that at once to Capt. Hibbard?

Mr. BAKER. No, sir. I had nothing to do with Capt. Hibbard.

Mr. STEELE. When did you communicate it to Col. Abadie?

Mr. BAKER. Immediately upon receipt of the information.

Mr. STEELE. Did it reach him before the time of sale, if you know?

Mr. BAKER. I could not say as to that positively. At any rate the information reached Col. Abadie prior to the carrying out of the sale; that is, the delivery and receipt of the money.

Mr. STEELE. Yes; but the Government had actually sold it by contract. Did the Government retain the right to cancel the sale?

Mr. BAKER. My understanding is that the board authorized Capt. Hibbard to dispose of it practically as he saw fit.

Mr. STEELE. Well, then, he had a right to make a contract of sale which would be binding upon the Government?

Mr. BAKER. Yes, sir. The contract of sale, however, was simply advice from Capt. Hibbard to the Harding Uniform & Regalia Co. that the prices as submitted by them had been accepted.

Mr. STEELE. That constituted the contract?

Mr. BAKER. Yes, sir.

Mr. STEELE. And later a part of the contract was canceled on account of Capt. Hibbard having sold more goods than the Government had in stock?

Mr. BAKER. Yes, sir.

Mr. STEELE. Then he had exceeded his authority in doing that?

Mr. BAKER. Yes, sir.

Mr. STEELE. Mr. Baker, as to the charges that were made by the representatives of the Martin-Gardner interests, are you speaking from your own knowledge about that situation?

Mr. BAKER. Yes, sir.

Mr. STEELE. Well, you stated in answer to a question by the chairman that you were told by the construction and repair department, and I simply wanted to know what you do know about that situation, of your own knowledge, and what part of it was communicated to you by others?

Mr. BAKER. As soon as I heard of it from the construction and repair department I investigated it in my department.

Mr. STEELE. And confirmed the information you had received?

Mr. BAKER. Yes; with the managing agent and with Mr. Murphy's office. The bills for his services are paid him through my office. I have now notified him that unless the physical survey of a boat is made he will not receive compensation.

Mr. STEELE. How many instances of that kind have come to your notice?

Mr. BAKER. The exact number of them I do not know. There were—

Mr. STEELE (Interposing). You referred to bids as I recollect.

Mr. BAKER. There were three or four just at that time, and there may have been some previous to that which I have not investigated. I did investigate to the extent that I gave instructions not to pay any more bills unless there was a physical survey.

The CHAIRMAN. Mr. Connally?

Mr. CONNALLY. Mr. Baker, with reference to this, parties who desired to bid on this material at Boston, you say two of them at least came to you and expressed a desire to purchase this material before the sale had actually taken place; I mean before the award had been made to this Regalia Co.?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. Was the sale made on bids?

Mr. BAKER. There were three people requested by Capt. Hibbard to submit bids.

Mr. CONNALLY. Yes, sir. You knew of that, of course, before the bids were awarded?

Mr. BAKER. I did not know how many there were requested. They were not advertised in the usual governmental methods.

Mr. CONNALLY. What I mean is you knew before the actual award had been made that some parties had been invited by Capt. Hibbard to submit prices?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. And, knowing that, when these two parties applied to you and expressed a desire to submit bids, why did you not suggest to them to go over to see Capt. Hibbard, who was right in Boston?

Mr. BAKER. At that time he was in Norfolk.

Mr. CONNALLY. Well, his office was in Boston, was it not?

Mr. BAKER. No, sir; not at that time. At the time of the sale, the week of the sale or the week prior to the sale, he transferred to Norfolk.

Mr. CONNALLY. He did not have a representative there?

Mr. BAKER. No, sir.

Mr. CONNALLY. Well, why did you not tell them, then, to take it up with Capt. Hibbard, at Norfolk, and let him know that they wanted to submit a bid?

Mr. BAKER. They had already talked the matter over with Capt. Hibbard.

Mr. CONNALLY. They had?

Mr. BAKER. And they had been told that they would be advised when the bids were to be presented.

Mr. CONNALLY. How do you know they had already talked it over with Capt. Hibbard?

Mr. BAKER. Well, they told me they had.

Mr. CONNALLY. Well, I want to know what you know, Mr. Baker.

Mr. BAKER. Yes, sir.

Mr. CONNALLY. But you did not communicate at all with Capt. Hibbard and tell him about these parties that desired to bid?

Mr. BAKER. In one case I saw a letter signed by Capt. Hibbard in answer to the request for an opportunity to bid.

Mr. CONNALLY. Did they express to you, tell you how much they would pay for these different articles?

Mr. BAKER. No.

Mr. CONNALLY. These two parties?

Mr. BAKER. No, sir.

Mr. CONNALLY. Why, then, do you say you believe that had they been permitted to bid, the stuff would have brought more money? They might have bid under the prices at which it was awarded, might they not?

Mr. BAKER. They might have.

Mr. CONNALLY. Yes; so it is just a matter of your guess, after all, is it not, about whether it would have brought more or brought less?

Mr. BAKER. They had bid higher previously.

Mr. CONNALLY. On what?

Mr. BAKER. Chief petty officers' overcoats, for instance.

Mr. CONNALLY. Well, had they gotten them before on the higher bid?

Mr. BAKER. Yes, sir; \$19, \$20—I have forgotten; \$19.62, or something like that, that they had bid on them, and the sale was then cancelled. This bid was \$10, and the man who bid \$19—

Mr. CONNALLY. What is this other? Are you bringing in another transaction now?

Mr. BAKER. Previous to this particular sale they had been contemplating a sale for some months.

Mr. CONNALLY. Capt. Hibbard?

Mr. BAKER. Yes, sir; and he had asked for some bids, which had been submitted prior to this time. When this sale came on they wanted to bid again.

Mr. CONNALLY. Who did; these two bidders that you are talking about?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. All right.

Mr. BAKER. At that time they were not requested to bid. I believe they went out in Chicago and got Sears, Roebuck & Co. and a couple of others.

Mr. CONNALLY. They did not make any bids, then, the last time at all?

Mr. BAKER. No; they were not allowed to.

Mr. CONNALLY. The first time, when they bid on the overcoats, did they submit a general bid on all this material?

Mr. BAKER. They submitted on part of it, because all of it was not for sale at that previous time; but that whole thing was canceled; it was not sold at the higher prices.

Mr. CONNALLY. None of it was sold to anybody?

Mr. BAKER. At that time, no. Then they decided to sell the whole thing.

Mr. CONNALLY. Where is Capt. Hibbard now, still with the Shipping Board?

Mr. BAKER. No; he is on the west coast; I do not know what he is doing. He is through with the Shipping Board, I understand.

Mr. CONNALLY. You did not protest to him at all about this matter?

Mr. BAKER. Not to Capt. Hibbard; he was not my chief, I had nothing to do with him.

Mr. CONNALLY. You took it up with Col.—

Mr. BAKER. Abadie.

Mr. CONNALLY. Have you got a communication there in your files to Col. Abadie about that?

Mr. BAKER. Yes, sir; many of them. [Referring to papers.]

Mr. CONNALLY. Plenty of them. How many times did you protest about this particular matter?

Mr. BAKER. Several times by telephone and several times by letter.

Mr. CONNALLY. Well, we can not get the telephones.

Mr. BAKER. No. [Examining papers.] I do not seem to have that correspondence here; I thought I had it right here.

Mr. CONNALLY. All right, if you have not got it here we will not bother with it.

Mr. BAKER. That will show you [producing telegram] that I had been in conversation with Col. Abadie, and had objected to the procedure strenuously. There is a letter [producing paper] from the secretary of the board also, showing that I had been in communication with them.

Mr. CONNALLY. Well, all this shows is that you opposed the sale to this uniform company, but there is nothing here to show that you had advised that there were other bidders.

Mr. BAKER. No; I have not that particular letter. That is just simply to show that there had been a controversy over it. I thought I had them all right here; I think I have somewhere.

Mr. CONNALLY. Mr. Baker, where is this man Dowsey, who was chief of the investigation department here in New York, that you talked about?

Mr. BAKER. He passed away in San Francisco, in pursuit of his duties.

Mr. CONNALLY. How is that?

Mr. BAKER. He passed away in San Francisco. There is a question as to whether he died or was murdered; there are opinions on both sides.

Mr. FOSTER. Is that Dowsey?

Mr. BAKER. Yes, sir.

The CHAIRMAN. That was in Seattle, was it not, Mr. Baker?

Mr. BAKER. Seattle, I should have said.

Mr. FOSTER. In a room adjoining the offices of the Shipping Board?

Mr. BAKER. That I do not know.

Mr. CONNALLY. Yesterday you said that when Mr. Tweedale first became comptroller general it was impossible to get an answer to a letter or telegram. Do you mean that it actually was impossible to get a reply to a letter or telegram from that office, or just that it was delayed? Did you mean that there was delay in getting a reply?

Mr. BAKER. Well, Mr. Tweedale personally was not handling operations when he first took that position. His entire attention was devoted to constructive matters, which were more necessary—

Mr. CONNALLY. I do not care what he was doing; I want to know whether or not your statement was accurate, that it was impossible to get an answer to a letter or telegram?

Mr. BAKER. It was; yes, sir.

Mr. CONNALLY. You sent in letters and telegrams and never received a reply to them at all?

Mr. BAKER. No, sir.

Mr. CONNALLY. How long did that condition continue?

Mr. BAKER. Why, it even started before Mr. Tweedale went into office, and lasted for several months after he was in office; I think way along into the middle of 1920.

Mr. CONNALLY. Up to the middle of 1920 did you not get any correspondence with the home office at all?

Mr. BAKER. Oh, yes, I got correspondence; but I mean to say, it was almost impossible to get an answer——

Mr. CONNALLY. You said impossible.

Mr. BAKER. Yes, sir.

Mr. CONNALLY. Now, do you mean impossible or almost impossible? I want to see——

Mr. BAKER. On many questions it was impossible.

Mr. CONNALLY. So you want to qualify that now; you do not mean that it was absolutely impossible, but just impossible in some cases?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. So you did get replies to some letters and some telegrams during that time?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. What salary do you draw, Mr. Baker?

Mr. BAKER. \$5,000.

Mr. CONNALLY. Have you been drawing that salary all the time since you have been with the Shipping Board?

Mr. BAKER. No, sir.

Mr. CONNALLY. What did you start in at?

Mr. BAKER. \$3,000.

Mr. CONNALLY. Were you transferred to Boston on your own request?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. That was your home, and you preferred to be there, of course?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. To whom did you make that request to be transferred to Boston; Mr. Tweedale?

Mr. BAKER. No, sir; it was prior to his entrance as General Comptroller. It was Col. Abadie.

Mr. CONNALLY. Col. Abadie. Col. Abadie is the man that you advised about these bidders at Boston who wanted to buy this material, and who paid no attention to your suggestion with reference to that matter, is he not?

Mr. BAKER. I do not know whether he paid attention. I believe he took it up with the board.

Mr. CONNALLY. It is not a question of belief, but so far as you know.

Mr. BAKER. So far as I know——

Mr. CONNALLY. Nothing came of it?

Mr. BAKER. Nothing came to me.

Mr. CONNALLY. Nothing came of it.

Mr. BAKER. Until——

Mr. CONNALLY. Was it before that or after that that you applied to him for your transfer to Boston? You were already at Boston at that time, of course.

Mr. BAKER. It was prior to that time.

Mr. CONNALLY. Prior to that time.

Mr. BAKER. I was in Boston before I made application to be transferred to Boston permanently. I was in Boston as a representative of the Washington office; I left New Orleans——

Mr. CONNALLY. Of the comptroller's office?

Mr. BAKER. Yes, sir. My title at that time was assistant to the general comptroller; or assistant to the comptroller.

Mr. CONNALLY. How does your salary now compare to what it was before you went with the Shipping Board, larger or smaller? You need not state the figure, I just want to get the relation.

Mr. BAKER. It is somewhat larger.

Mr. CONNALLY. Somewhat larger now. Do you know Mr. Fisher, the investigator appointed by the committee?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. How long have you known him?

Mr. BAKER. Two months, I should say.

Mr. CONNALLY. About two months?

Mr. BAKER. A little less.

Mr. CONNALLY. In this conversation with Mr. Tweedale over the 'phone in December, you were here in the hotel, were you not?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. Is not the upshot of that conversation, or rather the purport of it, simply that it was suggested that matters of policy that were to be determined by the Washington office, were not to be offered or suggested by you, or opinions on that policy; in other words, criticism, adverse or favorable, of questions that were not within your jurisdiction, did not fall under your supervision, were to be left for others to decide or to suggest? Is not that what you really understood by that conversation? If it is not, why, tell us what you did understand about it.

Mr. BAKER. I do not know as I just follow you in your questions.

Mr. CONNALLY. Well, was not the upshot, or rather was not the purport of Mr. Tweedale's suggestion to you, that so far as matters which were solely within the jurisdiction of the board itself were concerned, large questions of policy, not falling within your jurisdiction, were to be left without comment, no opinion on your part?

Mr. BAKER. Well, I should say yes; I was not supposed to answer questions of policy.

Mr. CONNALLY. That did not affect your department?

Mr. BAKER. There was no classification of——

Mr. CONNALLY. Well now, you said, though, that it was questions of policy which were to be determined by the Washington office. The Washington office does not determine details.

Mr. BAKER. That was not the conversation which we——

Mr. CONNALLY. Well, what was the conversation? Tell me again.

Mr. BAKER. That I was not to give any opinions, or to give opinions on questions of policy.

Mr. CONNALLY. Was there not a qualification? Did you not say yesterday, or this morning, on questions of policy that were to be decided by Washington, meaning the home office of the board?

Mr. BAKER. Questions of policies which were to be decided in Washington?

Mr. CONNALLY. Yes; that is right.

Mr. BAKER. Yes, sir.

Mr. CONNALLY. Well, so, matters of detail and matters of handling your own office would not be decided in Washington, would they?

Mr. BAKER. They would not come under the category of policies.

Mr. CONNALLY. No.

Mr. BAKER. In Washington.

Mr. CONNALLY. Certainly not.

Mr. BAKER. But they would come under the category of an opinion, which I might render.

Mr. CONNALLY. Well, now, he did not tell you not to give any opinion at all, did he?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. I understood you this morning or last night to say that he told you not to give any opinions on policies which were to be decided at Washington. Now, you understood them to say that you were not to give any opinions on anything. How could you testify here at all without giving some kind of an opinion as to whether or not your own office was being properly conducted or not.

Mr. BAKER. I do not see how I could.

Mr. CONNALLY. You do not see how you could. How long was it after you talked with Mr. Tweedale over the phone that you went and told Mr. Fisher about the conversation?

Mr. BAKER. I do not know just how long, I am sure.

Mr. CONNALLY. A half hour?

Mr. BAKER. Oh, no, much longer than that.

Mr. CONNALLY. Well, about two hours?

Mr. BAKER. The same day.

Mr. CONNALLY. The same day. Did you suggest to Mr. Fisher that he have this question asked you, about the Tweedale conversation?

Mr. BAKER. No, sir.

Mr. CONNALLY. What?

Mr. BAKER. No, sir.

Mr. CONNALLY. You had a good idea, though, that it would be if you told him, did you not?

Mr. BAKER. I did not know that.

Mr. CONNALLY. What?

Mr. BAKER. I did not know that.

Mr. CONNALLY. You did not know that. Well, why did you tell him that? There is no feeling between you and Mr. Tweedale, is there?

Mr. BAKER. No, sir.

Mr. CONNALLY. What?

Mr. BAKER. No, sir.

Mr. CONNALLY. What was your object, now, the same day that you had this conversation with your superior, your direct superior, what was your object then in going to Mr. Fisher, who was appointed

to investigate for this committee, and telling him about the conversation with your superior?

Mr. BAKER. I did not go to Mr. Fisher and tell him that.

Mr. CONNALLY. Well now, did Mr. Fisher come to you and ask you about that?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. Ask you about the conversation? How did he know you had had a conversation, if you did not tell him first.

Mr. BAKER. Mr. Richardson was the man.

Mr. CONNALLY. What?

Mr. BAKER. Mr. Richardson was the man that I spoke to about it, and Mr. Richardson called Mr. Fisher in.

Mr. CONNALLY. Well, so you went then and told Mr. Richardson instead of Mr. Fisher. You told him first, did you not?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. Well, what was your object then in telling Mr. Richardson, if you did not expect that question to be asked you?

Mr. BAKER. I did not see how I could answer your testimony, or answer your questions, without giving an opinion.

Mr. CONNALLY. Well, you have been answering questions and giving opinions, have you not?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. So there was no reason, you did not feel under any restraint at all by that conversation, did you?

Mr. BAKER. Why, I felt if I refused opinions, that I would be in contempt of court.

Mr. CONNALLY. Why, certainly, that is correct. We want you to tell everything we ask you. What I am getting at is, what was your object in going and divulging to these gentlemen as soon as you had the conversation, what you had talked about with Mr. Tweedale, if you did not expect it to be brought out in this investigation? You were bound to know it would, were you not?

Mr. BAKER. I suppose a thing of that sort would come up, naturally.

Mr. CONNALLY. Certainly. Does Mr. Tweedale ever visit your office over in Boston, or any representative? Does the home office have any inspectors or anything of that kind who visit the district comptrollers?

Mr. BAKER. Mr. Tweedale has never been there. Mr. Tweedale has sent his reorganization committee there, and they have been through the office, and has sent his traveling auditors there to make an audit of the office, at my request, and they have completed that only this week.

Mr. CONNALLY. Why did you request it? Everything was all right, was it not?

Mr. BAKER. I did not know.

Mr. CONNALLY. You did not know?

Mr. BAKER. No, sir.

Mr. CONNALLY. What are you there for to do but to find out if there is anything wrong in that office?

Mr. BAKER. The office had been running for a year and a half before I went there.

Mr. CONNALLY. How long have you been over there now?

Mr. BAKER. A year and a half.

Mr. CONNALLY. Well, you say this examination was just completed last week?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. Had they been auditing your books a year and a half?

Mr. BAKER. They had been auditing the office for three years.

Mr. CONNALLY. I thought your office was an office that was an auditor's office. I thought that was what it was?

Mr. BAKER. True; but an auditor's office has to be audited.

Mr. CONNALLY. Certainly.

Mr. BAKER. We have an accounting office as well. We carry a great many accounts.

Mr. CONNALLY. So they have been three years auditing the auditor. Now, who is going to audit the auditor to the auditor?

Mr. FOSTER. And how many years will it take?

Mr. BAKER. I was not satisfied with the audit which was made when I went into the office and, in fact, in my opinion there never was an audit made when the office was turned over to me.

Mr. CONNALLY. Whose business was it to make that audit when it was turned over to you?

Mr. BAKER. The comptroller in Washington, and he sent some men there, but I was not satisfied with the audit that was made, on account of the personality or the personnel of the force that was sent there, they not being competent to audit the office, it having been their first audit that they ever made. Therefore three or four months ago I requested that my office be audited to see that everything was in order. That, I think, any district man has a right to know, if his office is in order, and if he has a clean slate.

Mr. CONNALLY. Well, on this last order that was just completed last week, did they find everything all right?

Mr. BAKER. So far as I know. The report is being written to-day to the comptroller general.

Mr. CONNALLY. Nothing wrong was called to your attention?

Mr. BAKER. No, sir.

Mr. CONNALLY. So then this first audit, which you thought was wrong, was all right, was it not?

Mr. BAKER. Not necessarily. It showed the office was in proper shape.

Mr. CONNALLY. Yesterday you testified about the wooden ship-building program down in the Gulf district. You made the statement that in some cases engines have been put in those wooden ships without being fastened to anything except the shafts, not bolted in or anything of that kind. How many ships of that kind did you look over or see?

Mr. BAKER. Why, the exact number I could not state now; there were somewhere between 10 and 20.

Mr. CONNALLY. Between 10 and 20?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. Wooden ships, in which the engines were not fastened to anything except the shafts?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. You saw yourself?

Mr. BAKER. No; I did not go over to see them myself.

Mr. CONNALLY. Well, what are you testifying from, Mr. Baker? What you know or what you heard or dreamed, or what are you talking about? I want to get down to something you know.

Mr. BAKER. I am giving you the information that the investigation department gave me.

Mr. CONNALLY. Well, that is what we are here for, to investigate. We are trying to find out something for sure.

Mr. BAKER. Yes, sir.

Mr. CONNALLY. I want to get something that you know yourself. Now, did you see a single ship, with your own eyes, in which this condition existed?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. That the engines were not fastened except to the shafts?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. Well, now, tell us about it. We have got down to something that you know about.

Mr. BAKER. I could not give you the name of the ship to-day.

Mr. CONNALLY. Where was it?

Mr. BAKER. In Texas.

Mr. CONNALLY. What part, the western, or on the Gulf coast? Whereabouts in Texas, what yard?

Mr. BAKER. I could not give you the information without looking up my papers on that. I looked at many ships over there, and I can not tell you just which one it was now.

Mr. CONNALLY. Well, now, how many did you see like that.

Mr. BAKER. I only visited that one boat.

Mr. CONNALLY. That one boat?

Mr. BAKER. For that particular purpose.

Mr. CONNALLY. For that purpose?

Mr. BAKER. That was only one thing that was out of the way.

Mr. CONNALLY. One thing that was out of the way. But you do not remember what yard that was in?

Mr. BAKER. That particular boat, no.

Mr. CONNALLY. Or what town it was in?

Mr. BAKER. I do not.

Mr. CONNALLY. You just know it was in Texas?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. Did you make any report to anybody on that condition, in writing?

Mr. BAKER. No, sir; not in writing. I made it orally to the inspector in charge of construction and repairs.

Mr. CONNALLY. Where?

Mr. BAKER. Division of operations, in New Orleans; Mr. Riedout.

Mr. CONNALLY. You gave him the name of the ship and the yard and everything?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. Orally?

Mr. BAKER. Yes, sir; which he took down.

Mr. CONNALLY. What?

Mr. BAKER. Which he took down in his memoranda.

Mr. CONNALLY. Why did you not make a written statement about it?

Mr. BAKER. Why, it was not required.

Mr. CONNALLY. It was not required?

Mr. BAKER. The idea being to safeguard the division of operations in accepting ships from the construction division and the contractor.

Mr. CONNALLY. Well, now, how came you to be in this town where this shipbuilding plant was, to see this boat, if it was not part of your duty to make a report about it to somebody?

Mr. BAKER. I was in Texas on various matters. One matter particularly was the installation of an office in Galveston. I visited—

Mr. CONNALLY. It was not at Galveston, because there are no shipbuilding plants at Galveston.

Mr. BAKER. No.

Mr. CONNALLY. So it was not in Galveston.

Mr. BAKER. I say I was in Texas on that particular journey.

Mr. CONNALLY. That was not the time, then, was it?

Mr. BAKER. Yes; that was the time I saw the ship.

Mr. CONNALLY. Where did you see it, then?

Mr. BAKER. I do not know which port it was in. I visited several ports in Texas on that trip, and I looked over many ships.

Mr. CONNALLY. Well, what would you look over, if it was not part of your duty to make some report to somebody about the condition you found them in? Were you just rubbernecking around to look them over, or did you have some business there?

Mr. BAKER. I had these reports coming in to me.

Mr. CONNALLY. About what?

Mr. BAKER. Irregularities in construction.

Mr. CONNALLY. So you went over to look them over and see if there were any irregularities in construction, and after you found out the irregularities you did not make any written report, except when you went back to New Orleans you orally told this man about it, is that right?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. How much did your trip cost the Government over there, do you know?

Mr. BAKER. I do not know offhand; no, sir.

Mr. CONNALLY. And yet you spent all that money, and when you got back, you called him over the telephone and that was all there was to it.

Mr. BAKER. No, sir.

Mr. CONNALLY. Did you send in any written report to the home office at Washington about it, to your superior officer?

Mr. BAKER. There were reports went in; yes, sir.

Mr. CONNALLY. I am talking about you now.

Mr. BAKER. I sent in reports.

Mr. CONNALLY. A written report?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. On this particular item?

Mr. BAKER. I do not know on that particular item.

Mr. CONNALLY. Where would it be found in Washington?

Mr. BAKER. In the general comptroller's office.

Mr. CONNALLY. In the general comptroller's office. About when was that, so we can locate it?

Mr. BAKER. The first part of 1919.

Mr. CONNALLY. The first part of 1919?

Mr. BAKER. About May.

Mr. CONNALLY. About May, 1919?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. A report from you at New Orleans?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. To the comptroller general?

Mr. BAKER. Not the general comptroller; the comptroller at that time.

Mr. CONNALLY. Comptroller.

Mr. BAKER. Judge Nevin.

Mr. CONNALLY. With reference to a ship you had looked over in Texas?

Mr. BAKER. Not one ship; no, sir; on general conditions.

Mr. CONNALLY. I am talking about this ship where the engine was loose and hanging on the shafts; that is the one I am talking about. You say you saw one ship in that condition. Now, I want to know if you made a report about that?

Mr. BAKER. Not on any one ship; no, sir; on general conditions.

Mr. CONNALLY. On general conditions?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. So you did not report this loose engine at all, did you?

Mr. BAKER. I reported that the condition had been reported to me by the investigation department, as such conditions existed.

Mr. CONNALLY. I am talking about the trip you made over there, in which you said you made these inspections yourself and saw this engine yourself. Now, I want to know if you reported to anybody what you saw?

Mr. BAKER. I simply went to Texas on another errand, and while I was there I verified the statements which were being handed to me in this one case, on that particular thing. On other cases, several other irregularities were taking place. Then I wrote to the general comptroller a letter covering the general conditions.

Mr. CONNALLY. Why did you not cover this specific condition—this engine that was not bolted in? That is something that you saw.

Mr. BAKER. Yes.

Mr. CONNALLY. Why did you not tell them something that you saw, in preference to a lot of stuff that you had heard?

Mr. BAKER. Well, because I had seen many other things that day, and I embodied them all in the one report, covering general conditions.

Mr. CONNALLY. Mr. Richardson, who is now with the committee, was down at New Orleans in that area at that time, was he not?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. Was he under your supervision?

Mr. BAKER. No, sir.

Mr. CONNALLY. Or he was chief of the investigation section, was he?

Mr. BAKER. No, sir.

Mr. CONNALLY. What was he?

Mr. BAKER. I do not know just his title; he was down there investigating. He was not the resident man at that time; he was down there on other work, in Texas.

Mr. CONNALLY. Did you call this loose engine to his attention?

Mr. BAKER. No, sir.

Mr. CONNALLY. Tell him about that?

Mr. BAKER. No, sir.

Mr. CONNALLY. That was his business, was it not, to investigate?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. If you had told him about it, he might have gone over there and looked into it and made some report on it, would he not?

Mr. BAKER. He was the man who told me about it.

Mr. CONNALLY. I thought you saw it?

Mr. BAKER. I did.

Mr. CONNALLY. Where was he when he told you about it?

Mr. BAKER. In New Orleans.

Mr. CONNALLY. In New Orleans?

Mr. BAKER. Yes, sir.

Mr. CONNALLY. Well, had he made a report; did he say he had reported it?

Mr. BAKER. Yes, sir; he told me he had reported it. I did not know anything about it at all.

Mr. CONNALLY. Well, did the ship go to sea in that condition?

Mr. BAKER. This ship was to be taken off; it was not in service at that time.

Mr. CONNALLY. It had not been finished then, eh?

Mr. BAKER. No, sir.

Mr. CONNALLY. Well, of course, there was nothing surprising about a boat, the engine not being fastened to it, if the boat had not been completed, was there?

Mr. BAKER. Well, after you put in boilers into a boat, if they are not bolted down, in order to bolt them down you have got to pretty nearly take them out again to bolt them down. It was apparent that they were not going to do anything more about it.

Mr. CONNALLY. It was apparent?

Mr. BAKER. What was?

Mr. CONNALLY. It was apparent, you say, that they were not going to do anything more about it.

Mr. BAKER. Yes, sir.

Mr. CONNALLY. Well, did they ever do anything more about it? Did they bolt them in or not?

Mr. BAKER. The boat was submitted to the Division of Operations for acceptance after that time and was refused by the Division of Operations on the testimony—on the information that I gave our inspector.

Mr. CONNALLY. Exactly.

Mr. BAKER. Therefore it was not received, on the information that I obtained.

Mr. CONNALLY. Why, certainly. Well, now, why didn't you tell us? You would have saved a whole lot of time if you had told us about that.

Mr. BAKER. I endeavored to, sir.

Mr. CONNALLY. You left the impression on me that this was a boat that had already been accepted and was in service. I would not have asked you all those questions. So the Government never did accept the boat in that condition, did it?

Mr. BAKER. No, sir; so far as I know. That was my testimony yesterday.

Mr. CONNALLY. So that there was no harm done on that?

Mr. BAKER. My testimony yesterday covered that particular point. I was investigating conditions in the Construction Division and the yards, before the boats were taken over by the Division of Operations, with the idea of safeguarding the Division of Operations from accepting inferior work.

Mr. CONNALLY. Although there was an inspector down there to do that business, and it was not any part of your duty, you were doing it?

Mr. BAKER. Anything in the line of looking after Government property and safety I consider my business.

Mr. CONNALLY. Certainly; yes, sir. Well, I want to compliment you; you saved the Government from taking the ship. I think that is all.

The CHAIRMAN. Is there anything further, Mr. Steele?

Mr. STEELE. Nothing further.

The CHAIRMAN. I think that is all, Mr. Baker. Mr. Willcox.

TESTIMONY OF MR. JAY C. WILLCOX, FORMERLY DEPUTY COMPTROLLER AND GENERAL AUDITOR, UNITED STATES SHIPPING BOARD EMERGENCY FLEET CORPORATION.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. What is your name?

Mr. WILLCOX. Jay C. Willcox.

The CHAIRMAN. Are you an employee or official of the Shipping Board or the Emergency Fleet Corporation?

Mr. WILLCOX. I was up until October, 1919.

The CHAIRMAN. What position did you hold?

Mr. WILLCOX. Deputy comptroller and general auditor.

The CHAIRMAN. Where?

Mr. WILLCOX. At Washington, when I finished.

The CHAIRMAN. How long had you been in the employ of the Shipping Board or Fleet Corporation?

Mr. WILLCOX. Since December, 1917.

The CHAIRMAN. What was your business or occupation before going with the Shipping Board?

Mr. WILLCOX. Steamship accounting.

The CHAIRMAN. Where?

Mr. WILLCOX. With the Bethlehem Steel; prior to that with the New York & Porto Rico Line at New York.

The CHAIRMAN. How long had you been in that business?

Mr. WILLCOX. About five and a half years.

The CHAIRMAN. Who gave you your first employment with the Shipping Board?

Mr. WILLCOX. Mr. Soleau.

The CHAIRMAN. And what was your first appointment?

Mr. WILLCOX. Auditor of the New York office, it was called.

The CHAIRMAN. How long were you here?

Mr. WILLCOX. Until August of the next year.

The CHAIRMAN. August, 1918?

Mr. WILLCOX. 1918.

The CHAIRMAN. Then where did you go?

Mr. WILLCOX. To Washington.

The CHAIRMAN. As deputy comptroller?

Mr. WILLCOX. No; I was not made deputy comptroller until about May, 1919.

The CHAIRMAN. What did you go to Washington as? What were you when you first went to Washington?

Mr. WILLCOX. No title at all; merely to assist Judge Nevin.

The CHAIRMAN. He was the general comptroller?

Mr. WILLCOX. The title was "Comptroller" at that time.

The CHAIRMAN. Comptroller. You were an assistant to him for how long?

Mr. WILLCOX. From August, 1918, until May, 1919.

The CHAIRMAN. What were your duties while you were here at New York?

Mr. WILLCOX. Well, as auditor here in New York, the organization was such that we were bookkeepers and check signers.

The CHAIRMAN. Did you audit the accounts?

Mr. WILLCOX. It was impossible to make any kind of an audit under the organization.

The CHAIRMAN. Well, why was it impossible? Did you try?

Mr. WILLCOX. We fought the situation all the time that we were here.

The CHAIRMAN. Well, why was it impossible to make an audit of the accounts?

Mr. WILLCOX. The ordering, the purchasing, the receiving, and the certifications all came under one head, so that all we had to do, or all we could do, was to verify the extensions and pay the bills.

The CHAIRMAN. Well, under what head did all this purchasing and receiving and certification come?

Mr. WILLCOX. It came under the purchasing agent in New York.

The CHAIRMAN. Who was he?

Mr. WILLCOX. D. A. Wahmond.

The CHAIRMAN. Was that for supplies, repairs, and fuel?

Mr. WILLCOX. Yes; that was for everything in the beginning.

The CHAIRMAN. Did you have anything to do with construction work in this district?

Mr. WILLCOX. Not a bit.

The CHAIRMAN. Did you audit those accounts?

Mr. WILLCOX. Nothing with construction.

The CHAIRMAN. Did that system continue all of the time you were here in New York?

Mr. WILLCOX. All the time I was in New York.

The CHAIRMAN. Well, who installed that system? You came there pretty nearly at the time the office was opened, did you not?

Mr. WILLCOX. Yes.

The CHAIRMAN. Who installed it?

Mr. WILLCOX. It was under Capt. Yates.

The CHAIRMAN. What was his position?

Mr. WILLCOX. He was managing agent.

The CHAIRMAN. For the New York district?

Mr. WILLCOX. It was then the North Atlantic district. They changed its name several times.

The CHAIRMAN. He set up this system here in New York, you understand?

Mr. WILLCOX. He was responsible for the organization at New York.

The CHAIRMAN. Well, who set up the system, Mr. Willcox?

Mr. WILLCOX. Of accounting?

The CHAIRMAN. Yes, sir.

Mr. WILLCOX. I did.

The CHAIRMAN. So that the system which you set up did not permit any audit of the books to be made?

Mr. WILLCOX. No, not that; the organization would not permit of the auditor to make an audit.

The CHAIRMAN. Oh, you mean the officers themselves?

Mr. WILLCOX. Due to the method of purchasing, receiving, and approving all the bills under one head.

The CHAIRMAN. Well, that was your system, was it not?

Mr. WILLCOX. No; that was not mine.

The CHAIRMAN. Well, who set up this system that took in all this under one head? That is what I want.

Mr. WILLCOX. Capt. Yates, managing agent at that time.

The CHAIRMAN. Well, then, you did not set up the system?

Mr. WILLCOX. No, sir.

The CHAIRMAN. Well, what system did you set up?

Mr. WILLCOX. Well, let us speak of system and organization first, so we understand each other.

The CHAIRMAN. Mr. Willcox, you call a method of keeping books and accounting and certifying and paying, you call that a system of accounting, do you not?

Mr. WILLCOX. That is a system; yes.

The CHAIRMAN. Now, who set that system of accounting up?

Mr. WILLCOX. I did.

The CHAIRMAN. And under that system no audit of the accounts was made or contemplated, was it?

Mr. WILLCOX. It was contemplated.

The CHAIRMAN. Why was it not made then?

Mr. WILLCOX. Due to the organization again; I will have to come back to that every time.

The CHAIRMAN. By the organization, do you mean the men themselves?

Mr. WILLCOX. No; I mean the organization of the whole New York office. In order to perfect any accounting system you have got to have coordination of the administration, the operating department and the accounting department. That was not the case.

The CHAIRMAN. Well, do you mean that the organization, that is, taking in the department of supplies and the department of repairs, and all these various departments and offices, was set up by Capt. Yates?

Mr. WILLCOX. Yes.

The CHAIRMAN. Then you set up the system of accounting?

Mr. WILLCOX. The system of accounting.

The CHAIRMAN. And the system of accounting and the organization as set up did not coordinate?

Mr. WILLCOX. Did not coordinate, that is it.

The CHAIRMAN. Well now, which was set up first, the organization or the accounting?

Mr. WILLCOX. The organization.

The CHAIRMAN. Then why did you not set up a system of accounting that would work?

Mr. WILLCOX. It did work, according to the organization; but my fight was against the organization, so that the audit could be made, so that the accounting department or the auditing department could make an audit.

The CHAIRMAN. Why could they not now? Why could you not go and audit these accounts under this system that you set up, and under the organization that Capt. Yates had effected? Why was not an audit possible?

Mr. WILLCOX. Well, the audit was possible.

The CHAIRMAN. Then why did you not make it?

Mr. WILLCOX. We made the audit.

The CHAIRMAN. Well then——

Mr. WILLCOX. As far as it was possible.

The CHAIRMAN. You say the audit was possible, and you made the audit?

Mr. WILLCOX. Yes.

The CHAIRMAN. Then what was the matter with it? What were you fighting about?

Mr. WILLCOX. Organization.

The CHAIRMAN. The organization was something you were not all responsible for, were you?

Mr. WILLCOX. We were not, but we were not satisfied with the audit that we made, due to that organization.

The CHAIRMAN. What kind of an audit did you make?

Mr. WILLCOX. We ordered the extensions of the invoices, made up a voucher, and paid them.

The CHAIRMAN. What do you mean by the extensions?

Mr. WILLCOX. Why, so many gross or so many cases of corn at so much a case, equals the extension. That is as far as we could go in an audit.

The CHAIRMAN. That is, you examined the arithmetic and saw if that was correct?

Mr. WILLCOX. That was all we could do.

The CHAIRMAN. Did your system of audit contemplate anything further than that?

Mr. WILLCOX. Yes.

The CHAIRMAN. What did you expect to do?

Mr. WILLCOX. The propriety of a charge.

The CHAIRMAN. How were you to ascertain that?

Mr. WILLCOX. To follow through the requisition for a supply on the purchasing department, to see that competitive bids had been advertised for; then to check the invoice with the receipt of the goods, and then to verify the prices according to the contracts or the bids, the contracts under which they were purchased; and then it is just a matter of tying those all up to see that the invoice was proper and the expenditure in order, thoroughly approved, and pass it for payment.

The CHAIRMAN. Now, was that not done?

Mr. WILLCOX. It was done, yes, as far as—well, no, that was not done. Let me take that back. We never saw a requisition, we never saw a bid or a contract; we could not sell it by prices.

The CHAIRMAN. Did Capt. Yates have somebody who did all that, do you know?

Mr. WILLCOX. Yes.

The CHAIRMAN. What was the necessity for your doing it, if he had taken care of all that?

Mr. WILLCOX. Well, the organization under Capt. Yates was not paralleled by any business organization that I had ever been connected with; that no one department under one head, could order, purchase, receive, approve the prices, approve the invoice, and do everything.

The CHAIRMAN. Is not that the way they do it in private shipbuilding concerns? Does not the purchasing agent draw the requisition, order the goods, receive the goods, check the invoice, compare it with the requisition and certify it for payment and send it along to the disbursing officer of the company?

Mr. WILLCOX. You mean in construction, in the shipyards?

The CHAIRMAN. No, I mean in private steamship operation.

Mr. WILLCOX. No, sir.

The CHAIRMAN. It is not done that way?

Mr. WILLCOX. No, sir.

The CHAIRMAN. Well, how many men did you have here in your office, Mr. Willcox?

Mr. WILLCOX. I began with about 11, and at the time I went to Washington there was 170.

The CHAIRMAN. And what were you doing, just verifying in arithmetic and drawing checks?

Mr. WILLCOX. No, the accounting features of the organization contemplated the operation of a very large fleet.

The CHAIRMAN. Of ships?

Mr. WILLCOX. All the accounting features, taking in costs of operation, are all tied in with the accounting.

The CHAIRMAN. Well, were you auditing those things?

Mr. WILLCOX. Yes.

The CHAIRMAN. In the same way, just verifying the totals?

Mr. WILLCOX. Well, no; the costs all come from the purchasers, and charges.

The CHAIRMAN. You said your fight was, as I understood you, to get cooperation between the organization and the accounting system. Did you carry that fight to headquarters at Washington?

Mr. WILLCOX. Yes, sir.

The CHAIRMAN. To whose attention did you bring it?

Mr. WILLCOX. My chief was Mr. Soleau, the only one that I could report to.

The CHAIRMAN. Did you get any satisfaction from him?

Mr. WILLCOX. I know that Mr. Soleau tried, in one step, to effect a different organization in New York.

The CHAIRMAN. Did you bring it to the attention of anybody else?

Mr. WILLCOX. I could not.

The CHAIRMAN. Was Mr. Soleau there all the time that you were in New York?

Mr. WILLCOX. No, sir; he was in Washington.

The CHAIRMAN. I say, was Mr. Soleau in Washington all the time that you were in New York?

Mr. WILLCOX. No; Judge Nevin was appointed about April, 1918.

The CHAIRMAN. Did you make an attempt to remedy this matter by thinking it over and taking it up with Judge Nevin.

Mr. WILLCOX. Yes, sir; we followed it right through with Judge Nevin.

The CHAIRMAN. Did you get any change?

Mr. WILLCOX. Later, that was after I went to Washington, we effected the change.

The CHAIRMAN. Was Capt. Yates still here when you went to Washington?

Mr. WILLCOX. Yes, sir.

The CHAIRMAN. Is he still here, do you know, or do you not know?

Mr. WILLCOX. Why, I happen to know that he is not.

The CHAIRMAN. Then, if I understand you, Mr. Willcox, when you were here at New York the organization at the head of which was Capt. Yates, took care of the purchasing and the receipt and the checking and the certification of purchases?

Mr. WILLCOX. Purchases; yes, sir.

The CHAIRMAN. And when that had all been done, outside of your office, the accounts came to you and you verified the totals and prepared the checks to pay the bills; is that correct?

Mr. WILLCOX. Well, you can add in there that we saw to it that the bills were all approved as to the receipt by the different members of the purchasing agent's organization, as to receipts and prices O. K.; in fact, every certification had to be on a bill before it could be passed for payment, it had to be complete.

The CHAIRMAN. I wish you would tell me what there is wrong with that system; why was not that all right, if every step was checked and followed and compared and approved, the goods received, certified, and sent along? Now, what is there wrong with that? Why should there have been any controversy about it, and why was not the Government's interests properly protected?

Mr. WILLCOX. Well, further developments verified that they were not. My first impressions were that the organization was such that fraud could be committed there without any possibility of detection, having it all under one head.

The CHAIRMAN. If any fraud was attempted it would be possible to start from the certification and trace that think back, so you could finally find the official of the Shipping Board or the Fleet Corporation who was responsible for permitting it, would it not?

Mr. WILLCOX. Through this?

The CHAIRMAN. Through the system that did prevail.

Mr. WILLCOX. Yes, you could trace it back to see who had certified to the receipt; you could look up the receipts to see who had actually received the goods at that time?

The CHAIRMAN. Yes. You could look up and see who had ordered them, too, could you not?

Mr. WILLCOX. You could. We could not; we were not given those.

The CHAIRMAN. I mean, under the system that Capt. Yates followed, having it all under one head, if for instance the investigating department had something brought to its attention that looked as though there had been fraud committed, they could have procured the file upon that transaction from Capt. Yates, taken it up from the

certification and traced it back, and eventually found the party who was responsible for permitting the fraud, could you not?

Mr. WILLCOX. They could.

The CHAIRMAN. What more could you have done if you had charge of the accounting?

Mr. WILLCOX. The organization could have been arranged so that fraud, the commission of fraud, would have been more difficult.

The CHAIRMAN. It would have been more difficult simply because there would have been more officers or employees of the Shipping Board involved in the procedure, would it not?

Mr. WILLCOX. Not more in number, but different departments. You would have one department check the work of another.

The CHAIRMAN. Well, did you as a matter of fact, Mr. Willcox, ever make any audit such as you contemplated, of any of the accounts while you were here in New York.

Mr. WILLCOX. No, sir.

The CHAIRMAN. Did you ask for an opportunity to do so, did you ask Capt. Yates for an opportunity.

Mr. WILLCOX. Yes, sir.

The CHAIRMAN. Were you refused?

Mr. WILLCOX. Refused.

The CHAIRMAN. What reason did he assign.

Mr. WILLCOX. That is was not necessary for me to see any of that; that I merely had to take those vouchers and charges as they came, and pay them.

The CHAIRMAN. When you got to Washington as assistant to Judge Nevin, did you find out that system was in operation in other districts?

Mr. WILLCOX. There was no other district at that time.

The CHAIRMAN. When you went to Washington with Judge Nevin?

Mr. WILLCOX. It was all New York at that time, when I went to Washington, and it began to grow just about that time.

The CHAIRMAN. What had become of the Pacific coast?

Mr. WILLCOX. The Pacific coast we knew very little of.

The CHAIRMAN. Well, it was there, was it not?

Mr. WILLCOX. Oh, yes, yes; but—

The CHAIRMAN. They had some ships out there, and they were operating them.

Mr. WILLCOX. Well, let me take that back a little bit, that there was an office in San Francisco when I went there.

The CHAIRMAN. Did you ascertain what system was in operation in San Francisco, with reference to accounting?

Mr. WILLCOX. No, sir.

The CHAIRMAN. Did not the home office have to do with the San Francisco office, control it?

Mr. WILLCOX. It did.

The CHAIRMAN. You do not know whether the system which Capt. Yates had here in New York was also the system that was employed in Frisco, do you?

Mr. WILLCOX. Not at that time. I learned later, after going into it, that it was different.

The CHAIRMAN. That is what I am endeavoring to find out, whether after you went to Washington to assist Judge Nevin, you ascertained

that other districts had a system the same as Capt. Yates has here in New York, or different from what he had?

Mr. WILLCOX. They were different than Capt. Yates.

The CHAIRMAN. They were different?

Mr. WILLCOX. Yes, sir.

The CHAIRMAN. Was it different from what you were endeavoring to install, or was it the same as that?

Mr. WILLCOX. It was the same, I will say.

The CHAIRMAN. The same?

Mr. WILLCOX. It might have been changed in detail just slightly, but it was the same thing that I tried to put over in New York.

The CHAIRMAN. That is, the principle of having a direct and distinct department checking up the financial transactions of another department and auditing their accounts?

Mr. WILLCOX. Following in routine; not in checking up the financial transactions of another department, but following in routine, so that there was a different department for receiving than there was for purchasing, and that the auditor could set prices according to the bids submitted.

The CHAIRMAN. How many times did you try to get Mr. Soleau to try to remedy this situation?

Mr. WILLCOX. Well, it is hard to give you a number, but it was a subject that came up on every visit that Mr. Soleau made to New York, and the files in the New York office are full of that subject.

The CHAIRMAN. That is, they were when you left New York?

Mr. WILLCOX. I can say that; yes.

The CHAIRMAN. Did you know anything about how prices were obtained for material while you were here in New York, whether there was bidding, whether prices were secured from a certain few, or whether they just went out and bought as occasion required, without bothering about the price? Do you know as to that?

Mr. WILLCOX. Yes, I know; I can say that I know.

The CHAIRMAN. What was done?

Mr. WILLCOX. That the stores for the Hoboken storerooms were obtained upon bids. We saw the bids—oh, after the investigation department had been working on the New York office. The stores that were bought for vessels direct; that is, not taken from the Hoboken stores, but purchased of vendors direct and put aboard vessels, were not purchased on bids; and the investigation department questioned why stores were not taken from Hoboken at a cost greatly under what they had to go in the open market and supply a vessel for, and the answer was always that the vessels moved so quickly in New York that they did not have time to supply a vessel from Hoboken. The records of the movements of vessels in New York will not substantiate that excuse for buying in the open market.

The CHAIRMAN. How long after you got to Washington was it before this system which Capt. Yates operated under was changed?

Mr. WILLCOX. Early in 1919, I believe; it was after Mr. Rossiter became director of operations.

The CHAIRMAN. How long after you went to Washington?

Mr. WILLCOX. That would be about five or six months after I went to Washington.

The CHAIRMAN. What were your duties in Washington? Just what were you doing there, assisting Judge Nevin?

Mr. WILLCOX. To inaugurate a system of accounting for the Shipping Board; for the division of operations alone, no construction.

The CHAIRMAN. Did you inaugurate one?

Mr. WILLCOX. We did.

The CHAIRMAN. Was it put into effect?

Mr. WILLCOX. Well, I would rather you let me take my own way and tell the history of that.

The CHAIRMAN. Well, after you went to Washington—

Mr. WILLCOX. It was put into effect.

The CHAIRMAN. You were put to work on getting up a system of accounting for the division of operations, were you?

Mr. WILLCOX. Yes, sir.

The CHAIRMAN. I wish you would tell what you did down there, and what system you put into effect, if any, or what happened to it if you did not put it into effect?

Mr. WILLCOX. From August, 1918, until about July 15, 1919, we had developed our plans and were ready to put them into operation at Washington just as soon as we could get quarters for a force sufficient to take care of the volume of work.

The CHAIRMAN. What do you mean, get quarters, office space?

Mr. WILLCOX. Office space in Washington.

The CHAIRMAN. Did you not have space enough there?

Mr. WILLCOX. No. We began in the Munsey Building at Washington with about as much floor space as there is in this room, and then just as fast as offices became vacant in the Munsey Building we took them, and we were hunting quarters until the Hough Building, that is right back of the Munsey Building, was vacated by the Military Intelligence. That was after the armistice was signed. That gave us quarters sufficient to house an organization. And in the meantime we had developed all the methods and plans, and had put them into operation in a small way, to take care of the accounting in Washington. In fact, we had with a small force taken care of all the accounts from operators that we could get in by mail.

The CHAIRMAN. Up to when had you taken care of them?

Mr. WILLCOX. Up until we went in the Hough Building.

The CHAIRMAN. When did you go in there?

Mr. WILLCOX. About July 15th.

The CHAIRMAN. 1919?

Mr. WILLCOX. 1919.

The CHAIRMAN. Then you brought in your enlarged force?

Mr. WILLCOX. Then we enlarged the force.

The CHAIRMAN. And put into effect this system?

Mr. WILLCOX. Yes, sir.

The CHAIRMAN. The one that is now in force?

Mr. WILLCOX. The one that is now in force.

The CHAIRMAN. And that is the system under which, up to July 1 of last year, they had 8,000 voyage accounts outstanding and only 8 voyage accounts had been closed, is it?

Mr. WILLCOX. Yes; and there are reasons, I suppose, why voyage accounts were not closed.

The CHAIRMAN. Well is it due to the system?

Mr. WILLCOX. No, sir.

The CHAIRMAN. What is it due to?

Mr. WILLCOX. Due to the operating agreement, is one reason. There were very few of the operators who had signed the operating agreements at that time; that was up to July 15.

The CHAIRMAN. 1919.

Mr. WILLCOX. Yes. You will find a record in Washington giving the number of operators who had signed, and it is about 14 of the newer operators, none of the old established operators who had done the volume of the business for the Shipping Board signed those operating agreements.

The CHAIRMAN. Well, what plan were they operating under, do you know?

Mr. WILLCOX. No. They did not, either. Another thing that held the accountings up, after we had been established in the Hough Building—I say that because we were ready for work when we got in the Hough Building—was the fees and commissions at foreign ports; not the compensation of managers and operators, that had been established in the operating agreement at that time, but the fees and commissions paid to foreign agents of the operators had not been established in any way, although Judge Nevin had submitted to the board a schedule of such fees, based upon the actual payments that had been made by steamship companies at the different ports of the world.

The CHAIRMAN. What have you to say as to the system of accounting which was finally inaugurated for operation of this fleet of 1,000 or 1,200 vessels, with some 176 operators, as being similar to that used by private steamship companies.

Mr. WILLCOX. Well, we used every effort to get ideas from every steamship company in the country. We borrowed men from steamship companies to advise us in Washington as to an accounting system; and without being personal, that is to a steamship company, the United Fruit is the nearest to the Shipping Board's organization of any steamship company in the country.

The CHAIRMAN. That is, its accounting?

Mr. WILLCOX. Its accounting, its accounting plan. They have a general office, it happens to be in Boston, and they have the districts that operate lines and services completely from those districts, which is parallel to the organization of the Shipping Board today; and we based our accounting plan on the United Fruit's, which had been developed and perfected and which was in complete operation. We had a precedent.

The CHAIRMAN. After you got that system installed, do you know of any reason why there should have been this great delay in getting the voyage accounts in and audited and checked up?

Mr. WILLCOX. Several things have happened. On July 15 we were ready to go ahead. We had already tried to get in our voyage accounts from the operators by mail, and we had asked the assistance of the director of operations to give us the movements of all vessels, the allocations, which is the basis of accounting for steamships.

The CHAIRMAN. Who was the director, Mr. Rossiter?

Mr. WILLCOX. Mr. Rossiter was director at that time; and the director's department did not have the information complete. They had a lot of information, but they did not have it complete.

The CHAIRMAN. That is the allocations, did not have the complete list of allocations?

Mr. WILLCOX. No; they did not have complete allocations.

The CHAIRMAN. Were the allocations made by the operation department, or by some other branch of the board or corporation.

Mr. WILLCOX. The allocations that were made while Mr. Rossiter was there were probably complete—I will say that they were complete—but prior to the signing of the armistice we could not get any information on movements of vessels or allocations in any way.

The CHAIRMAN. Of course, the information with reference to the movement of vessels was in the possession of some branch of the Government, was it not?

Mr. WILLCOX. We always thought so, but we could not find that branch. We tried hard enough.

The CHAIRMAN. Then it became necessary, after July 15, when you got this system perforated or arranged for its installation, to change over the prevailing system that had been in vogue with operators, and to secure all this information which up to that time had been lacking, as to movements of the vessels, the allocations that had been made, and the various operators.

Mr. WILLCOX. No; no change in accounting systems as to our relations with operators was necessary at that time in order to complete our accounting, but it was necessary to get the accounts; and about that time, about July 15, Judge Nevin and I proposed to Mr. Hurley to go out into the field and to get those accounts. Now, that entailed quite a cost. They would not come to us naturally or flow through the channels regularly, so the only thing to do was to go after them. We took up the probable cost of going into the field with a corps of men, with Mr. Hurley, who was just about to resign, and Mr. Hurley said, or he agreed that it was the only thing to do, but that he would rather not authorize such a cost. We estimated it at from \$200,000 to \$300,000. It would have taken about a month with over a thousand men.

The CHAIRMAN. That would be a sort of an audit drive, do they call it?

Mr. WILLCOX. Well, it was later called the voyage-account drive.

The CHAIRMAN. It was done later, was it?

Mr. WILLCOX. It was done later, just before I left Washington, before my resignation took effect; in fact, Col. Abadie prevailed upon me to stay long enough to start that drive, to organize the men.

The CHAIRMAN. How many men did you employ?

Mr. WILLCOX. That is not in my memory just at present. I did not employ any, to be frank with you, but I organized it so that the men in charge of field work could employ all that was necessary.

The CHAIRMAN. Under the system that was inaugurated what control was there by the office in Washington over the various districts where operations were being conducted?

Mr. WILLCOX. The real control was the follow up from the vessels' movements. You start with an allocation, and that tells you that an operator has a vessel; then if you got the vessel's movements, that tells us where the vessel went, and gives you an idea of what to expect in accounting. It will also give you dates, so that you can go after an operator to get in your account. That was fully established, and we had begun to get in information to make our files complete, before we went into the Hough Building. That was basic and necessary.

The CHAIRMAN. In the auditing of these accounts, is it not necessary for the auditor's office to have information; for instance, as to what the size of the crew of a vessel and what the cost per man would be for subsistence for a certain length of voyage?

Mr. WILLCOX. That develops from the costs after the voyage account is audited; but we were developing down there with machine work, that is, the Powers machines; the volume of work in Washington was so great that the statistics, the cost work, can never be done by hand, and we were developing a basis of standards for comparison, so as to eliminate unnecessary audits. If we could set up—and we could—the cost of operations, or what the cost should be, then the voyage accounts that we received that came reasonably near that cost would need no audit.

The CHAIRMAN. Well, did you set that system up?

Mr. WILLCOX. We set it up, and started it going but——

The CHAIRMAN. But what?

Mr. WILLCOX. When Mr. Hurley went out, the next incumbent put all of the accounting into the hands of an outside man altogether, and the execution of the plans we had developed stopped.

The CHAIRMAN. What do you mean, an outside man altogether; another department?

Mr. WILLCOX. No.

The CHAIRMAN. Appointed a new man in Judge Nevin's place?

Mr. WILLCOX. He appointed a new man.

The CHAIRMAN. Who did he appoint?

Mr. WILLCOX. It was E. W. Brown, then with Marwick, Mitchell, Peet & Co.

The CHAIRMAN. An accountant?

Mr. WILLCOX. I believe so.

The CHAIRMAN. Who is Marwick, Mitchell, Peet & Co.?

Mr. WILLCOX. A firm of chartered accountants, not an American concern.

The CHAIRMAN. Who was Mr. Brown? Did they make him auditor or comptroller?

Mr. WILLCOX. Later Mr. Brown was made special assistant to the chairman, Judge Paine, at that time.

The CHAIRMAN. And he had control of this accounting system?

Mr. WILLCOX. Yes, sir.

The CHAIRMAN. That is, he was superior to the auditor of the comptroller?

Mr. WILLCOX. Superior to every one.

The CHAIRMAN. Did he follow out this system of accounting that had been set up?

Mr. WILLCOX. He did not. In fact, he stopped everything; he stopped what he had started.

The CHAIRMAN. Did you have the cost per man figured for the crew of a ship on a voyage of a certain number of days, as a standard to go by?

Mr. WILLCOX. The cost per day.

The CHAIRMAN. The cost per day?

Mr. WILLCOX. The cost per meal was our standard.

The CHAIRMAN. Cost per meal?

Mr. WILLCOX. The cost per meal was the standard for that one thing.

The CHAIRMAN. The cost per meal per man?

Mr. WILLCOX. Per man, yes; or the cost per meal served would have given it to you.

The CHAIRMAN. Is that system used by the United Fruit Co.?

Mr. WILLCOX. Yes, sir, and used by many others.

The CHAIRMAN. Well, would it be necessary to have that information, or some similar information, knowing the length of the voyage and the size of the crew, to ascertain what ought to be necessary to supply the steward's department prior to her departure on a voyage?

Mr. WILLCOX. That would greatly assist the steward's department in ordering supplies.

The CHAIRMAN. How long did you stay there after Mr. Brown took charge?

Mr. WILLCOX. Mr. Brown came on about August 10; there was a very short time between July 15 and August 10, and I stayed on until October 25.

The CHAIRMAN. Was Mr. Brown still in charge then?

Mr. WILLCOX. Oh, no; he left before I did.

The CHAIRMAN. Mr. Brown stayed on until August 15, you said; August 10?

Mr. WILLCOX. No, he came on about August 15, and I believe it was some time in September.

The CHAIRMAN. Was that when Mr. Tweedale was made general comptroller?

Mr. WILLCOX. Mr. Tweedale was made treasurer at that time.

The CHAIRMAN. Oh, treasurer. Well, who succeeded Mr. Brown?

Mr. WILLCOX. No one that I know of.

The CHAIRMAN. Well, who was comptroller while Mr. Brown was there?

Mr. WILLCOX. Col. Abadie was appointed general comptroller.

The CHAIRMAN. And who was the auditor?

Mr. WILLCOX. I held the title, but I was not working at it.

The CHAIRMAN. Did you have any assistants who were working at it?

Mr. WILLCOX. No. The wheels all stopped with Mr. Brown.

The CHAIRMAN. When did they start again?

Mr. WILLCOX. I will tell you how we worked. I can not say when they started again, I did not stay. Mr. Brown wanted a general survey of everything that was contemplated, and a personal report of every department chief.

The CHAIRMAN. Well, Mr. Brown was simply brought in, wasn't he, Mr. Willcox, by Judge Paine, who became chairman of the board, and who had for some little time prior to that been general counsel or associate counsel to the board, brought in there by the judge to make a sort of a survey of the general conditions, accounting, and everything, so Judge Paine might know where he was at, and what the situation was; and when he completed that, Mr. Brown stepped out, didn't he, and Judge Paine went right along with the organization? Was not that practically what Mr. Brown was there for?

Mr. WILLCOX. I can not say yes to that. I might give you some facts. I can not say what Judge Paine's intentions were, but the letter presented to Judge Nevin by Mr. Brown—by the way, Judge Nevin's resignation was in to take effect August 30—was to the effect

that Mr. Brown will have entire charge of all the accounting. It was not to make a general survey for Judge Paine's information. It turned over everything to Mr. Brown.

The CHAIRMAN. Now, when Mr. Brown came in, did he reduce the accounting force or increase it, or did he change positions, make promotions or demotions, or did he take the organization as he found it, and operate with that while he was there?

Mr. WILLCOX. No, he began to make appointments as soon as he came in.

The CHAIRMAN. Bringing in new men?

Mr. WILLCOX. Bringing in new men.

The CHAIRMAN. Accountants and experienced men?

Mr. WILLCOX. In some cases, no.

The CHAIRMAN. In some cases, yes.

Mr. WILLCOX. Some cases yes.

The CHAIRMAN. Now, did he change the system of accounting?

Mr. WILLCOX. He did not.

The CHAIRMAN. Did not change the system?

Mr. WILLCOX. He did not change the system.

The CHAIRMAN. After he left you were there for some time, after he left, weren't you, for a few months?

Mr. WILLCOX. Yes.

The CHAIRMAN. After he left what happened? Did things continue to function?

Mr. WILLCOX. I dropped out of it altogether after he left, because at the time he left I was in the field, on the voyage accounting drive. It was then going, and the millions began to come in with the voyage accounts, the men were instructed to make collections at the same time. Before I left the amount was up around \$150,000,000.

The CHAIRMAN. Where did you operate in the field, in New York or all over?

Mr. WILLCOX. I started in Boston, and I got the operators together and told them what we wanted to get, their cooperation to help us get in these accounts; I was to take in the whole field and start it going. But I was called off at Baltimore, and a few days after that I left.

The CHAIRMAN. Who called you off?

Mr. WILLCOX. Col. Abadie.

The CHAIRMAN. Was he in charge of this drive? Was he the man in the home office who was in charge of the drive?

Mr. WILLCOX. Col. Abadie was general comptroller. Do you mean the man directly in charge of the drive?

The CHAIRMAN. Yes, at Washington. Was there somebody in Washington that was in charge of this drive?

Mr. WILLCOX. He appointed, I believe, a Mr. Witt in charge of the drive.

The CHAIRMAN. Col. Abadie did?

Mr. WILLCOX. Col. Abadie was responsible for it.

The CHAIRMAN. Then while this drive was in progress, you were in Col. Abadie's department, were you?

Mr. WILLCOX. Oh, yes.

The CHAIRMAN. How long had you been in his department? Did you go into that department before the drive began?

Mr. WILLCOX. Col. Abadie was Judge Nevin's successor, so I was in the department automatically.

The CHAIRMAN. All the time?

Mr. WILLCOX. Yes, sir.

The CHAIRMAN. Did he outline the procedure to be followed in this audit drive for voyage accounts?

Mr. WILLCOX. Col. Abadie?

The CHAIRMAN. Yes.

Mr. WILLCOX. No; he left that entirely to me.

The CHAIRMAN. Left that to you?

Mr. WILLCOX. Yes.

The CHAIRMAN. Did you confer with anybody else relative to the drive?

Mr. WILLCOX. No one else but Col. Abadie?

The CHAIRMAN. Yes.

Mr. WILLCOX. No.

The CHAIRMAN. Did you talk with Mr. Gillen about it?

Mr. WILLCOX. Yes; that was in 1920.

The CHAIRMAN. While you were with the board?

Mr. WILLCOX. No.

The CHAIRMAN. Well, I mean while you were with the board, and while the drive was going on, or just before it started, did you talk with Mr. Gillen about the drive?

Mr. WILLCOX. I had never met Mr. Gillen at that time while I was with the board.

The CHAIRMAN. Did you confer with Judge Payne about it?

Mr. WILLCOX. I have never met Judge Payne.

The CHAIRMAN. Now, coming to this arrangement in New York, Mr. Willcox, while you were here: Were the repair accounts audited by your department when you were in New York?

Mr. WILLCOX. No, sir.

The CHAIRMAN. Who audited them?

Mr. WILLCOX. Now, that is, up until I went to Washington?

The CHAIRMAN. That is what I mean.

Mr. WILLCOX. The Treasury Department—yes, the Treasury Department in the customhouse had been given the audit of bills that had been received for repairs.

The CHAIRMAN. The Treasury Department?

Mr. WILLCOX. The Treasury Department. That was effected through Mr. Soleau. I think the Treasury Department at that time had a number of employees who had nothing to do.

The CHAIRMAN. Well, now, do you know what the system was with reference to repairs in the audit of repair accounts in the Navy Department?

Mr. WILLCOX. Yes; I familiarized myself with that when it was up to us to organize the repairs cost audit.

The CHAIRMAN. And was the system which was put in effect in the Shipping Board similar to that which you made yourself familiar with?

Mr. WILLCOX. In every way that we could embrace the Navy system, with the exception of the number of men, the Navy had an untold number of men to put on such work; we could not, we had to bring it down, in fact we got an ex-Navy man to take charge of that

work in Washington, a man thoroughly familiar with the construction work for the Navy.

The CHAIRMAN. Did they have any system of recovering for overcharges by mail?

Mr. WILLCOX. Before I went to Washington, Mr. Soleau had received four or five voyage accounts, the first ones that came in, and it so happened that those voyage accounts had some very exorbitant charges. We started a small department consisting of one man at first, looking into voyage accounts for overcharges. And it developed that as far as room would allow us, employing help up to three. That should have been a big department; and the prices, that is, that I so arranged it as to have the prices from charges on voyage accounts to flow into this special department for refunding of overcharges. But it was not until we got into the Hough Building that we could develop an organization, and of course I started that at that time with the whole organization, when it was started.

The CHAIRMAN. Well, the matter of overcharges on voyage accounts was one that of course could be taken care of when the final or partial settlement was effected with the operator, wasn't it?

Mr. WILLCOX. No, this was after final settlement had been made.

The CHAIRMAN. Well, had there been any final settlement with any operator up to that time?

Mr. WILLCOX. No, there had not, I must qualify that.

The CHAIRMAN. Then the matter of overcharge could be taken care of in the final or partial settlement with the operator, couldn't it?

Mr. WILLCOX. It could be.

The CHAIRMAN. What was the necessity for refunding by mail?

Mr. WILLCOX. That was after the audit had been made, and the account practically closed as far as the audit was concerned, and it came in the nature of disallowance in some cases; it was a part of the audit, but it was the last part of it.

The CHAIRMAN. Well, now, was that system effected, do you know?

Mr. WILLCOX. I happen to know that it was dropped.

The CHAIRMAN. When; while you were there?

Mr. WILLCOX. Yes; while I was there.

The CHAIRMAN. Who was in charge of the department when it was dropped; who was responsible for dropping it, if you know?

Mr. WILLCOX. Why, Col. Abadie was the general comptroller at that time.

The CHAIRMAN. Was he the one under which the system was developed as outlined by you?

Mr. WILLCOX. He was the successor that should have carried it on.

The CHAIRMAN. No. Was it developed while he was there, or was it under Judge Nevin or under Mr. Brown? You said you had but one man at first, and you increased it to three. Now, when this one man was at it, and when it was increased, who was in charge, Col. Abadie or Judge Nevin?

Mr. WILLCOX. It was Judge Nevin, under Judge Nevin, when it was increased to three, because we didn't have room for more.

The CHAIRMAN. It was under Judge Nevin it was increased to three?

Mr. WILLCOX. Yes, sir.

The CHAIRMAN. And later it was dropped?

Mr. WILLCOX. Later it was dropped.

The CHAIRMAN. Did it become part of your work while you were in this department, to compare prices and costs with what the Shipping Board was actually paying for services and supplies and labor and material?

Mr. WILLCOX. Yes; yes, that would be statistics.

The CHAIRMAN. Now, did you do any of that work here in New York?

Mr. WILLCOX. We did.

The CHAIRMAN. Could you tell when these accounts eventually got to you for carrying out and verifying the extensions and drawing the check; could you tell whether the prices which had been made were or were not excessive?

Mr. WILLCOX. We could.

The CHAIRMAN. Well, did you note any excessive prices which you later brought to the attention of any of your superiors in the Shipping Board?

Mr. WILLCOX. Yes, sir.

The CHAIRMAN. And were the prices corrected or were refunds obtained, if you know?

Mr. WILLCOX. Some refunds were obtained in New York.

The CHAIRMAN. Will you state, if you can remember some instances where refunds were obtained and what was involved, whether labor, materials, supplies or services or repairs or whatever it was?

Mr. WILLCOX. I remember a bill for ice that appeared to the auditing department as exorbitant. We had no right to question it under the organization, but we did, and we obtained a refund on the bill of \$1,200 some \$400; that is a single case, a specific case.

The CHAIRMAN. What company was involved there, do you remember, and what ship?

Mr. WILLCOX. This is taxing my memory—it was the Knickerbocker Ice Co., I believe—I am not sure of that. I would not put that down.

The CHAIRMAN. You say you are not able to specify the company.

Mr. WILLCOX. No; but I will say the records in New York will disclose many cases.

The CHAIRMAN. How did you go about obtaining your refund under the system that prevailed here then?

Mr. WILLCOX. The accounting department did that entirely alone without any help. We dealt direct with the ice company, and told them that we thought their charges were exorbitant, that we could get ice—or that others were charging such and such a price.

The CHAIRMAN. Did you bring it to Capt. Yates's attention?

Mr. WILLCOX. After we secured the refund.

The CHAIRMAN. Did you talk to him about it?

Mr. WILLCOX. I talked with the purchasing agent about this particular case.

The CHAIRMAN. Who was that? Mr. Wahmond?

Mr. WILLCOX. Mr. Wahmond.

The CHAIRMAN. Afterwards?

Mr. WILLCOX. After we had secured the refund.

The CHAIRMAN. What did he say? What explanation did he give, if any?

Mr. WILLCOX. He did not give any explanation as to the overcharge, but he accused us of interfering.

The CHAIRMAN. But you were, weren't you?

Mr. WILLCOX. We were interfering.

The CHAIRMAN. That is all he said about it?

Mr. WILLCOX. That is my impression; that was his big point, that we were interfering.

The CHAIRMAN. Now, were there any other instances that you recall?

Mr. WILLCOX. Yes; a celluloid case for a pass. Some of our workmen—that is, the boiler scalers especially—were employed in very dirty work, and the war-zone passes had to be kept clean, otherwise they would have to be renewed all the time, and our paymaster made a requisition, and I had had some business of that sort in making up that sort of a novelty and I said these ought to cost about 5 or 6 cents.

The CHAIRMAN. Said to whom?

Mr. WILLCOX. McKenny is the man I spoke to.

The CHAIRMAN. Who was he?

Mr. WILLCOX. He was then paymaster.

The CHAIRMAN. For whom?

Mr. WILLCOX. Shipping Board.

The CHAIRMAN. Paymaster?

Mr. WILLCOX. Yes; called a paymaster.

The CHAIRMAN. Where was he?

Mr. WILLCOX. In New York.

The CHAIRMAN. Under Capt. Yates?

Mr. WILLCOX. No; he came under the disbursing officer.

The CHAIRMAN. Who was the disbursing officer?

Mr. WILLCOX. Disbursing officer, while not responsible to me, was under the auditor of New York as far as—

The CHAIRMAN. Who was it?

Mr. WILLCOX. Capt. Inglesby at that time; John W. Inglesby.

The CHAIRMAN. How did you happen to get in conversation with Mr. McKenna about the price of celluloid pass cases?

Mr. WILLCOX. Why, the requisition for those had to come through me.

The CHAIRMAN. What was there about it; what was the price that the Shipping Board paid?

Mr. WILLCOX. The Shipping Board paid 16 cents for those, we got a price of 7 cents.

The CHAIRMAN. You got a price of 7 cents?

Mr. WILLCOX. We got a price of 7 cents.

The CHAIRMAN. How much was involved in the transaction?

Mr. WILLCOX. Well, a very small amount.

The CHAIRMAN. Did you get a refund there?

Mr. WILLCOX. We did not.

The CHAIRMAN. Well now, did all requisitions have to come through you?

Mr. WILLCOX. All requisitions for supplies for my department.

The CHAIRMAN. That was a supply for you?

Mr. WILLCOX. Yes; just a supply for my department.

The CHAIRMAN. Well, how would you and your staff here keep yourselves informed as to what were proper prices to be paid for

meat, fuel, or steward's supplies, engine-room supplies, or towing, or coal or anything else? How would you know and how could you say when you were at work on these accounts, carrying out the multiplications and the additions and verifying them, how could you tell whether a price was exorbitant or not?

Mr. WILLCOX. Only by comparisons.

The CHAIRMAN. With whom?

Mr. WILLCOX. With what was charged in one case and charged in another case.

The CHAIRMAN. At about the same time, you mean?

Mr. WILLCOX. At about the same time and for the same services. Discrepancies in price were what we discovered in auditing.

The CHAIRMAN. That is the only way you knew whether charges were exorbitant?

Mr. WILLCOX. Yes; because the market prices or quotations would not give us a line on it at that time; we had them.

The CHAIRMAN. You had the market price?

Mr. WILLCOX. Yes, sir; but they were valueless at that time.

The CHAIRMAN. Why?

Mr. WILLCOX. They fluctuated so greatly. Market prices were not anything. That was just during the war.

The CHAIRMAN. Market prices were mounting all the time?

Mr. WILLCOX. Yes; going up and down within the hour, so that the quotation was valueless.

The CHAIRMAN. With the price fluctuating as rapidly and as often as they were at that time, it was, of course, extremely difficult for a purchasing agent to get a price which a few days or a week or several weeks later might appeal to a person examining the account as a reasonable one, wasn't it?

Mr. WILLCOX. Yes; that would be a reasonable excuse for some of the seemingly exorbitant prices.

The CHAIRMAN. But if I understand you, Mr. Willcox, you contend that if they had inaugurated a system of proper check by one department over the purchases made by the others, that the Shipping Board would have been able to have secured more reasonable prices and saved money here in the New York district?

Mr. WILLCOX. No, not that; that would not follow.

The CHAIRMAN. If that would not follow, what would have been the advantage.

Mr. WILLCOX. The advantage in receiving and being sure that stuff went on board that was charged to that vessel, because we were not sure.

The CHAIRMAN. Then if you were not sure about stuff that was ordered, that it did not go aboard the vessel, the Shipping Board was paying for material that it was not getting, and it was a waste of money.

Mr. WILLCOX. I would say so. That was our reason for objecting to the organization. Along those lines, after we had finished several voyage accounts and again to compile some daily averages, and what meals would cost, and going further, some of the charges to those vessels would show—I can not recall a specific case; they are on file though—meals costing over \$1 a meal. And taking one item, eggs, in one case; that is, in one particular instance, where they

bought enough eggs—that is, enough eggs were charged to that vessel to give every man on board 12 eggs every day. That is what developed later in the final audit. It is impossible to make any recoveries as to that.

The CHAIRMAN. Well, I suppose at the time that you were here in New York, and also while you were in Washington, you appreciated the fact, Mr. Willcox, that here was a tremendous Governmental activity, suddenly developed, rapidly expanded as the result of an emergency, when there was a great lack of experienced and competent men, not only in accounting, but in repairing and constructing and operating this property, and that it was almost inevitable that not only mistakes would be made and money would be wasted and extravagantly expended, didn't you?

Mr. WILLCOX. I realized that fact.

The CHAIRMAN. Now, then, in all the recommendations and the attempts that you made to have changes brought about for the better efficiency, were you solely inspired by an attempt to safeguard the Government's interest and save money and bring about more efficient transactions of the Government's business, or did you have another motive?

Mr. WILLCOX. That was the only motive I had. I tried to get into every war department there was and I could not make it. So my fight was on the Shipping Board.

The CHAIRMAN. Why couldn't you get into any other department?

Mr. WILLCOX. Well, no physical reasons, I just could not get an appointment.

The CHAIRMAN. How old were you?

Mr. WILLCOX. I was over the draft age at that time. I am now 34.

The CHAIRMAN. You say you could not get an appointment. What do you mean? You could not get an appointment to some position that you wanted to fill?

Mr. WILLCOX. This was necessary in my case: I had a family to support, and I wanted sufficient salary to take care of my family. I had had experience enough to help the Government in a great many departments.

The CHAIRMAN. Now, the difficulty which you had with Capt. Yates was not personal in any way?

Mr. WILLCOX. No. Although it proved to be later, you know, it could not help but be that way.

The CHAIRMAN. You used every proper effort, as I understand you, to bring about the change which you felt and which Mr. Soleau, your superior, felt was necessary here in this district to prevent opportunities for fraud and extravagance and excessive charges against the Government?

Mr. WILLCOX. Yes. When I first took my position in New York I conferred with Capt. Yates almost daily, and that was the one big subject with me. I tried to sell him the idea, to impress him with the fact that his organization was not according to any big business, and it was a business, it was not a Government department.

The CHAIRMAN. What do you mean, you tried to sell him the idea?

Mr. WILLCOX. Why, to impress him with the idea.

The CHAIRMAN. Tried to impress him?

Mr. WILLCOX. I don't mean to sell it at a price, but that is a term—to impress him with the idea.

The CHAIRMAN. You were not successful?

Mr. WILLCOX. No, never successful.

The CHAIRMAN. Mr. Soleau was not successful?

Mr. WILLCOX. No; Mr. Soleau was not successful.

The CHAIRMAN. Was Capt. Yates here when you were called to Washington to assist Judge Nevin?

Mr. WILLCOX. Yes.

The CHAIRMAN. How long did he remain here after that?

Mr. WILLCOX. His resignation went into effect about January 1, 1919, I believe.

The CHAIRMAN. You went to Washington in December?

Mr. WILLCOX. In August, 1918.

The CHAIRMAN. In August?

Mr. WILLCOX. Yes; I am not sure about that, though. I am not sure about that date.

The CHAIRMAN. In any event, it was after you went to Washington?

Mr. WILLCOX. Yes, after I went to Washington.

The CHAIRMAN. Well, now, after you went to Washington was this system of auditing put into effect now in your district while Capt. Yates was here?

Mr. WILLCOX. No; while Capt. Yates was here, not while he was here.

The CHAIRMAN. After he left, was the system of auditing here put in effect?

Mr. WILLCOX. Yes, sir.

The CHAIRMAN. And was it continued so far as you know up to the time that you left the Shipping Board?

Mr. WILLCOX. So far as I know it was. In fact, I think it is in effect today.

The CHAIRMAN. Any questions, Mr. Foster?

Mr. FOSTER. No.

The CHAIRMAN. Any questions, Mr. Steele?

Mr. STEELE. Yes, one or two. Mr. Willcox, you were with the Bethlehem Steel Co. prior to going with the Shipping Board?

Mr. WILLCOX. Let me qualify that a little bit, I was with the Ore Steamship Corporation, that is a subsidiary of the Bethlehem.

Mr. STEELE. What is the spelling of that name?

Mr. WILLCOX. Ore, O-r-e Steamship Co.

Mr. STEELE. Where is that located?

Mr. WILLCOX. The office of that was located at 111 Broadway, with the Bethlehem Steel offices here.

Mr. STEELE. How long were you with them?

Mr. WILLCOX. About a year.

Mr. STEELE. You referred to Mr. Brown, belonging to a firm of accountants not American. What do you mean by that?

Mr. WILLCOX. Some of the members of Marwick, Mitchell, Peets & Co. are not American citizens—at that time.

Mr. STEELE. Some of the members were not?

Mr. WILLCOX. Yes.

Mr. STEELE. Was Mr. Brown an American?

Mr. WILLCOX. While I can not answer you yes or no, my impression is that he was not at that time an American citizen.

Mr. STEELE. That is your impression?

Mr. WILLCOX. Yes.

Mr. STEELE. What reason have you for that impression?

Mr. WILLCOX. We had with us, as a part of the organization in Washington, a former member of the firm of Marwick, Mitchell, Peet & Co., who knew the organization, and I got my impression from him.

Mr. STEELE. You have no personal knowledge on the subject?

Mr. WILLCOX. No. I will have to take back all I said about him not being an American, because I have no personal knowledge, but it is well understood that he is not.

Mr. STEELE. Where was the firm doing business at that time?

Mr. WILLCOX. They have offices all over the country.

Mr. STEELE. This country; that is, the United States?

Mr. WILLCOX. Yes.

Mr. CONNALLY. I didn't get your name at the start.

Mr. WILLCOX. Willcox.

Mr. CONNALLY. William J. Willcox?

Mr. WILLCOX. Jay C.

Mr. CONNALLY. Mr. Willcox, what was your salary when you were with the Shipping Board first?

Mr. WILLCOX. \$3,300.

Mr. CONNALLY. Was it increased, or did you continue at the same salary?

Mr. WILLCOX. When I left it was \$6,000.

Mr. CONNALLY. When you left it was \$6,000?

Mr. WILLCOX. Yes, sir.

Mr. CONNALLY. How long were you with the board in all?

Mr. WILLCOX. From December, 1918—two years.

Mr. CONNALLY. Two years?

Mr. WILLCOX. Yes.

Mr. CONNALLY. What part of the time was at \$3,600 and what part was it \$6,000?

Mr. WILLCOX. May 1, 1919.

Mr. CONNALLY. Up until May 1?

Mr. WILLCOX. It was \$3,300.

Mr. CONNALLY. Oh, \$3,300?

Mr. WILLCOX. Yes.

Mr. CONNALLY. Up until the 1st of May, 1919?

Mr. WILLCOX. Yes.

Mr. CONNALLY. And from the 1st of May, 1919, until when?

Mr. WILLCOX. Until I left.

Mr. CONNALLY. When was that?

Mr. WILLCOX. October 25, to be exact.

Mr. CONNALLY. 1919?

Mr. WILLCOX. 1919.

Mr. CONNALLY. Was there a promotion made from \$3,300 straight to \$6,000?

Mr. WILLCOX. Yes.

Mr. CONNALLY. Did you change positions at the time?

Mr. WILLCOX. I did.

Mr. CONNALLY. From what? What was your position at the \$3,300 and what was your position at \$6,000?

Mr. WILLCOX. I had the title of auditor of the New York office, although I worked in Washington until I was made general auditor and deputy comptroller.

Mr. CONNALLY. General auditor and deputy comptroller?

Mr. WILLCOX. Yes.

Mr. CONNALLY. Who appointed you to that position?

Mr. WILLCOX. Judge Nevin, with the sanction of the board at that time.

Mr. CONNALLY. What were you working for with the Bethlehem, or rather with the Ore Co.; what salary were you drawing before you went with the Shipping Board?

Mr. WILLCOX. There was a change in between there. I held another position for two days before Mr. Soleau took me into the Shipping Board, at \$3,000.

Mr. CONNALLY. At \$3,000?

Mr. WILLCOX. Yes; and I had \$2,250 with the Bethlehem Steel.

Mr. CONNALLY. So that was the highest salary you had ever earned, was it, before you went with the Shipping Board, \$2,250, except for those two days?

Mr. WILLCOX. Yes.

Mr. CONNALLY. You said that while Mr. Brown was in charge as executive assistant to Judge Payne, that your title was auditor, but that you were not working at that time at it. What were you doing?

Mr. WILLCOX. Col. Abadie requested me to stay on. I resigned immediately after Brown came in there; he made it very unpleasant, and I had other things to do at that time.

Mr. CONNALLY. You mean you resigned as soon as Brown came in?

Mr. WILLCOX. I resigned to Brown; he was my superior at that time, but Col. Abadie came on about that time and Col. Abadie wanted me to stay, because I had a lot of information that he wanted, and I liked Col. Abadie, and I didn't have to go right away, so I stayed on with Col. Abadie and coached him as much as I could along that system. I gave him everything that I could.

Mr. CONNALLY. Then you did not resign?

Mr. WILLCOX. Not until October 25, but I did not work at general auditing; I was not in charge.

Mr. CONNALLY. Were you drawing \$6,000 at the time Brown was there?

Mr. WILLCOX. Yes.

Mr. CONNALLY. Then you were not auditor; you were deputy comptroller?

Mr. WILLCOX. Deputy comptroller; yes.

Mr. CONNALLY. Then you were in error a little while ago when you said that while Brown was there you had the title of auditor?

Mr. WILLCOX. General auditor; I have the title yet; I had the title until my resignation went into effect.

Mr. CONNALLY. I thought you said you were chief auditor and then later on that you was comptroller—when you got \$6,000—you went up to this comptroller's position?

Mr. WILLCOX. Yes; they made me general auditor and deputy comptroller; they came at the same time.

Mr. CONNALLY. Are the duties the same?

Mr. WILLCOX. No, no. When I was deputy comptroller—when Judge Nevin was not there—but at that time it never became necessary for me to act as deputy comptroller, because Judge Nevin was there all the time.

Mr. CONNALLY. Why was your salary jumped so much, from \$3,300 to \$6,000, do you know? What was the process?

Mr. WILLCOX. They must have thought I was worth it.

Mr. CONNALLY. Who appointed you to that position?

Mr. WILLCOX. Judge Nevin with the sanction of the board.

Mr. CONNALLY. Was that after you had coached him for two months, and had given him this information, or before?

Mr. WILLCOX. No; that is Col. Abadie. Col. Abadie had nothing to do with my salary, that was at the same rate then right along. No, sir; he did not make a change at all with me.

Mr. CONNALLY. What business are you in now?

Mr. WILLCOX. Accounting.

Mr. CONNALLY. Public accounting?

Mr. WILLCOX. Public accounting. I have an organization of my own.

Mr. CONNALLY. That is all.

Mr. FOSTER. Located where?

Mr. WILLCOX. Boston.

The CHAIRMAN. I think that is all, Mr. Willcox.

Mr. STEELE. Hadn't we better adjourn to 2 o'clock?

The CHAIRMAN. We will take a recess now until 2 o'clock.

(Whereupon, at 12.15 o'clock p. m. a recess was taken until 2.00 o'clock p. m.)

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